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Annual Report OF THE
GOVERNOR OF HAWAII
TO THE SECRETARY
OF THE INTERIOR

FISCAL YEAR ENDED JUNE 30, 1948



Annual Report
OF THE
Governor of Hawaii
TO THE
Secretary of the Interior



Fiscal Year Ended June 30, 1948

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UNITED STATES
DEPARTMENT OF THE INTERIOR

J. A. KRUG, *Secretary*

TERRITORY OF HAWAII
INGRAM M. STAINBACK, *Governor*

United States Government Printing Office, Washington : 1949

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Annual Report of the Governor of Hawaii

INGRAM M. STAINBACK, *Governor*

SINCE Hawaii became a Territory of the United States in 1900, the primary purpose of government has been to conserve and to develop further the natural resources, and to make this wealth contribute to the economic well-being and cultural growth of the people. A review of social-economic developments indicates that significant progress in relation to this purpose has been attained.

Conservation and Development of Natural Resources

The natural wealth of Hawaii is derived from its soil, its seas, its climate and natural beauty, and its strategic position in the Pacific Ocean. Although the latter two resources contribute little to the wealth of the nation as a whole, they do have material bearing upon the prosperity of Hawaii.

Agriculture.—To an unusual degree the soil has been the foundation upon which the wealth of the Territory has been built. Tillable soil areas are limited in these volcanic islands due to broken terrain, large solid lava areas, or deficiencies in irrigation water. Farming areas are closely bounded by sheer mountains and the ocean. It has long been recognized that undue wastage of these limited land areas would destroy island economy. As a result, careful husbandry and conservation of this essential resource has been practiced for many years.

The cultivation of sugarcane has led all other agricultural enterprises in both area under cultivation and gross income. Although the area of approximately one-quarter million acres now devoted to the cultivation of sugarcane is slightly less than the area in 1908, there has been a significant increase in production. An acre of land now produces 8 tons of sugar as compared with 5 tons when the land was originally brought under cultivation—an outstanding example of what can be done in maintaining soil fertility. It is significant also that while the production per acre has greatly increased, the number of man-hours required to produce a ton of sugar has materially decreased due to mechanization. In spite of soil conservation and improved methods of production, the future of this basic crop is in doubt due

to production costs rising above the current commodity value. Three plantations discontinued operations at the end of 1947 after harvesting final crops totaling 25,459 tons of sugar. Moreover, in an effort to reduce field costs, farming operations, particularly harvesting, have been mechanized, with attending deleterious effects on soil structure. During these years of readjustment to total mechanization, the soil losses have been great. Heavy expenditures are now being made to abate this loss.

The pineapple crop produces the second largest income and also occupies the second largest acreage of the cultivated lands. The area now planted to this crop is stabilized and could only be economically expanded by using lands presently occupied by sugarcane. It is true that in the early days of this new industry the areas expanded to pineapple cultivation were wastefully handled and inadvisedly selected with resulting serious soil losses; however, field layouts of areas under cultivation today are some of the most advanced in design for soil conservation.

Outside of the two crops mentioned, which contribute 85 percent of the agricultural income of the Territory, animal products occupy the next most important position. Nearly one-third of the total land of the Territory is used for grazing. A serious wastage of these lands occurs in some areas due to over-grazing or permitting the land to be overrun by nonpalatable noxious weeds. The rising alarm over this situation is sufficient cause for interest in the establishment of soil conservation districts and a renewal of interest in tenancy provisions that will protect the producing quality of the land.

The revenue from the soil is completed with a miscellaneous group of fruit, truck, starch, nut, and coffee crops. Their total contribution in wealth is small. The need for research in the economic adaptability of other crops to the soils and climate of Hawaii's limited tillable areas is more necessary than ever before if the fullest economic value is to be obtained from the soil resource.

Forestry.—The first importance of the forests in Hawaii is their relationship to the revenue-producing areas of the land. They provide sources of irrigation water and cause a better distribution of rainfall. Early in the twentieth century a forest reserve system was set up which established approximately one-fourth of the land area in the Territory under forest reserve protection. These areas are preserved mainly because of their value in providing water. In addition to these preserves, there are areas of native hardwood trees where limited timbering operations are carried on. Although the re-planting of native hardwood trees has been unsuccessful in areas heavily timbered, there is ample evidence that trees of exotic species

with highly prized wood could be produced commercially on lands formerly occupied by native trees. A further utilization of marginal lands for this purpose offers possibilities and deserves more attention than it has heretofore received.

Fisheries.—Due to the volcanic origin of the Hawaiian archipelago, there is a minimum of shoal water areas surrounding each island. This accounts for the Territory's relatively small inshore fishery whose production has remained constant for the last 20 years. In prewar years it averaged approximately 15 percent of the total catch landed.

The deep-sea fisheries surrounding these islands offer a food resource which can be developed into a major industry with great benefits to the people of Hawaii and of the United States. It is estimated that less than one-twentieth of the usable surplus of tunas which pass through territorial waters are actually harvested. Expansion of the tuna fishery has been limited to a fishing technique dependent upon a live-bait supply which is seined out of estuaries and inshore waters. The paucity of this bait supply has always limited the size of the tuna fishing operations and will continue to do so until fishing methods are developed which are not dependent upon this limiting factor. Exploration of the deep-sea fisheries as well as the development of fishing techniques suitable for harvesting the crop are extremely expensive and time-consuming operations. The interest of the Federal Government, through the passage of Public Law 329 in 1947, has paved the way toward a fuller development of this valuable food resource.

Recreation.—The Territory of Hawaii has a resource in its climate and scenic beauty which has always provided recreational values to the people visiting these islands. Before the war, the visitor business was considered the third industry of the Territory, and in 1947 it is estimated that the number of visitors reached the prewar levels. Surveys have indicated that there will be a tripling of travel demand to Hawaii for recreation purposes before 1952. It is recognized, however, that before this greater flow of visitors to Hawaii is developed and sustained, more adequate hotel accommodations and more attractive recreation facilities must be provided. Outside of the activities of the National Park Service around the volcanic phenomena of Kilauea and Haleakala, little has been done to develop other scientific, legendary, and scenic areas that are so abundant throughout the Territory. A full prosecution of this phase of public activity will aid in a furthering and sustaining of the visitor business.

Strategic position—transportation.—The geographical situation of the Hawaiian Islands in the Pacific Ocean places them in a strategic position which truly makes them the crossroads of the Pacific. Both

air and sea lanes touch here for refueling and servicing before carrying their loads to distant places. The seaports of the Territory are equipped with 59 piers, of which 31 are usable for overseas vessels. Expansion of these improvements has kept pace with the expansion in ocean travel.

The number of scheduled trans-Pacific commercial airliners passing through Hawaii airports was 11 times greater in 1947 than in 1941, and passengers carried on commercial airlines between Hawaii and mainland United States ports was 55 times greater in 1947 than in 1941. Most of the trans-Pacific air traffic is handled through the Honolulu Airport, where efficient servicing facilities have been developed as traffic has increased. Well-equipped overseas airports are also maintained by the Territory on the Islands of Hawaii and Maui.

Air travel between the islands of the Territory has also shown a large increase since 1941. The number of inter-island passengers carried in 1947 was eight times greater than in 1941. There are presently 11 airports in the Territory used for commercial air travel, and plans are under way to build 5 new ports as additions or replacements.

The importance of Hawaii as a military base for national defense is well established. The Territory continues to cooperate with the Army, Navy, and Air Force units so that the Government and people of the Territory will make the greatest possible contribution to the defense of the nation. The Territory in turn benefits economically from the maintenance of military installations in the islands.

Conservation and Development of Human Resources

The further development of the human side of Hawaii has always been a primary objective. As in the case of every ideal, there have been times when this high purpose has been sacrificed to selfishness and greed, but the over-all record indicates that the desire to promote the welfare of the people has always been present.

The increase in the number of people has significance. In 1900, the population was 154,001; in 1910, 191,909; in 1920, 255,912; in 1930, 368,336; in 1940, 423,330; and, as of June 30, 1948, 540,500.

This increase in population is significant, but of greater importance is the record of what has been done to improve the quality of the people. Emphasis upon health, education, housing, and labor-management relations, indicates that Hawaii has a first interest in the conservation and development of human resources.

Health.—The material resources of a nation, or of a Territory that is part of a nation, are of value only insofar as the human beings which compose the nation or territory are able to make use of such resources. Human efficiency and happiness are based to a large degree upon phys-

ical and mental health. Human resources, like natural resources, can be wasted or conserved. The health sciences attempt to conserve them. Results in Hawaii are written in the statistics regarding health over the years.

Improvements in health are not the results of medical science alone but are determined also by economy and education of the people in the area. Health measures such as surgery, administration of medication or immunization procedures, as well as sanitary science, have done much to lower morbidity and mortality, and the application of mental hygiene and psychiatry has aided these measures in improving the happiness of our population. Nevertheless, the ability of people to purchase or obtain through the government, adequate housing, a nutritious diet and satisfactory recreation facilities, is also an important factor in improving the physical and mental well-being of our population.

Rates per unit of population indicate trends of relative significance of various health conditions. The absolute number of cases of morbidity and mortality from specific causes are perhaps more indicative of the problems with which we must work than relative increase or decrease in rates. One of Hawaii's major health problems, tuberculosis, showed a decrease in mortality rate to an all-time low of 37 per 100,000 during the past fiscal year, dropping 25 percent from the rate of 49 for the previous year; but it is also noteworthy that more than 200 persons in the Territory died of this disease last year, and a thousand persons died needlessly from this communicable disease during the past 4 years.

A recent study of the average number of deaths annually in the Territory from leading causes during the 5-year period 1935-39, inclusive, and the 4-year period 1945-48, shows a notable decrease from all causes except cancer and heart ailments. The average number of deaths from infant mortality dropped from 586 to 369; maternity, from 37 to 16; influenza, from 39.2 to 8.75; diphtheria, from 5.2 to 0.5; pneumonia, from 308 to 118; tetanus, from 13.4 to 6.5; typhoid, from 8.8 to 1; whooping cough, from 16.6 to 5; tuberculosis, from 301 to 251.

In Hawaii last year, there was improvement in morbidity and mortality to a somewhat greater degree than in the United States as a whole, largely due to application of modern sanitary measures, widespread immunization, the application of modern medical treatment, and public education regarding personal and community hygiene.

Much remains to be done, however, toward reaching the maximum degree of prevention of sickness and death and maintenance of physical and mental well-being which the universal application of knowl-

edge of medical science could bring about. A remarkable all-time low for maternal deaths occurred in the Territory last year with a death rate of 0.7 per thousand live births, or only 10 maternal deaths throughout the whole Territory. Nevertheless, each of these could have been prevented. Likewise, although the second lowest infant mortality rate in the Territory occurred last year, when the rate reached 29.1, we find that some States have attained rates of four to five points lower than this, and that still too many preventable deaths are occurring during the first month of life, particularly from prematurity, which causes more than one-third of infant deaths in Hawaii.

While the tuberculosis mortality rate now approximates that of the United States as a whole, descending from a rate which was considerably higher a decade ago, Hawaii will not be satisfied until the present rate of 37 is down to 10 or 11, the best State rates now found in the nation.

Perhaps the greatest challenge to preserving human resources at their maximum physical and mental efficiency is conquering of the diseases found mostly in older persons. These now lead in the causes of death. Heart disease and cancer remain far above all other causes of death as the first and second in the list. Kidney disease, intracranial lesions of vascular origin, and diabetes are also major conditions in this category which are causing large numbers of deaths. Although it is true that persons must die of something and that medical science has not advanced to a degree where this type of disease can be wiped out by widespread application of present-day knowledge, such application of present-day knowledge could greatly prolong life and increase the efficiency and happiness of persons who are afflicted with these conditions.

More study has been given to cancer than any of the other major chronic diseases and such studies have concluded that if present-day knowledge were widespread, one-third of the cancer deaths could be prevented. This applies throughout the Nation, but Hawaii has not developed a public health program for the control of chronic type of disease to the extent of most other areas of the country, largely because a smaller percent of the population of the Territory are in the older age group than in any other State. The number of deaths from these conditions, here as elsewhere, shows that they now constitute the area toward which more and more attention of the public health program must be given.

Recognizing that both physical and mental illness prevent people from living satisfying and efficient lives, the people of Hawaii are

supporting health programs toward minimizing disabling illness and making the lives of all persons fruitful and satisfying.

Education.—Education has played a dominant part in the development of the human resources of Hawaii. A tax-supported public-school system, in the best tradition of American education, has been maintained since the organization of the Territory in 1900. It includes the whole range of instruction, from the kindergarten through college. The Department of Public Instruction is responsible for a program of studies from the kindergarten through the twelfth grade or senior high school. The University of Hawaii, operating under a board of regents, carries on the work in higher learning. From time to time, surveys of Hawaii's public-school system have been made by mainland authorities and the Territory's system has been found to rank high in comparison with mainland systems. The effectiveness of any school system can be measured only by the quality of citizenship displayed by its product. Hawaii's citizens take an active, intelligent part in building a better community. During World War II, their record at home and in combat areas received national recognition.

Besides the regular academic schools, there are four vocational schools, one being located in each of the four counties: Hawaii, Maui, Oahu, and Kauai. These schools train young men and women for such types of gainful occupations as carpenters, machinists, auto mechanics, electricians, radio technicians, aviation mechanics, sheet-metal workers, and dressmakers.

A definite attempt is made to select a high type of student for these trade classes through vocational guidance and counseling. High-school graduates are given preference for enrollment in the four vocational schools. The enrollment is kept at a figure that does not make for an excess of skilled tradesmen in the community.

Vocational agriculture is carried on in each of the regular senior high schools, of which there are 26 located throughout the Territory. Graduates from these classes go into plantation work or carry on individual farming for themselves.

Three important phases in the future development of the human resources have occurred within the last decade. These are adult education, kindergartens, and apprenticeship training.

The first classes in adult education to be established as a regular part of the Department of Public Instruction were begun in January 1946. Since that time, this program has expanded rapidly and all signs point to a further expansion in the years to come. There has been a great demand from the adult public for this type of training which is generally carried on in the late afternoon and evenings, using the regular

school buildings which are not in use at that time by the younger pupils. An indication of the need felt for this program is shown by the rapid increase in enrollment from relatively few people when it began in January 1946, to 7,552 at the close of the school year in June 1948. This program does not follow a fixed curriculum as is done in the regular day schools, but is based on the expressed needs of the adults who register for the courses. Courses dealing with civic problems and government are given as well as with more practical things such as typewriting and shop work. The expansion of this type of program, in addition to the maintenance of the regular school system, is bound to make for a better and more informed citizenry.

Private kindergartens have existed in Hawaii for many years. However, they have reached such a small proportion of the young children that their effects were not very far-reaching. In 1943, the first public kindergartens were established in a few schools, their number being limited by the amount of funds appropriated. Two successive legislatures have increased the appropriations for this purpose. There will be complete kindergarten coverage within the next few years.

The third recent development is that of the apprenticeship program in trade and industry. Although the four vocational schools function in training skilled tradesmen, it was felt that much more effective work could be done throughout the Territory by carrying on an apprenticeship program in addition. A large program of this type is being carried on at Pearl Harbor on a cooperative basis between the Navy and the Department of Public Instruction. Plans are under way now to carry on the same type of program at Hickam Field in cooperation with the armed forces.

A compulsory attendance law has been in effect for many years. At the present time, every child is required to attend either a public or private school on reaching the age of 6 and must continue in school until reaching the age of 16. There are 187 public schools with an enrollment of 84,923 and a total staff of 3,419.

Housing.—Housing is an important factor in determining the social and economic efficiency of the people. Although progress has been made, the lack of suitable living quarters still remains a major problem.

A housing census in April 1940 indicated that there was a total of 39,431 dwelling units in Honolulu. Since then, private enterprise has completed 13,537 dwelling units, plus 361 permanent low-income units, making a total of 13,898. During the same period, 343 substandard units were demolished, leaving a total supply of housing at the present time of 52,986 units. This figure does not include the war

and veterans' temporary housing which has been constructed and converted by the Hawaii Housing Authority during this time.

Construction of housing during 1942, 1943, 1944, and 1945 was very limited, as both labor and material were channelled into the war effort; however, since 1944, the Hawaii Housing Authority has initiated the construction and conversion of nearly 3,300 temporary units.

In view of the housing shortage which existed at the beginning of the war and the increase in population occasioned by the war, the housing shortage at present is still extremely acute. The Hawaii Housing Authority at present is operating 4,000 dwelling units and has 2 low-income projects consisting of 390 units which were deferred during the war and are now in the process of reactivation. A recent study indicates that a minimum of 2,083 permanent low-income units are needed in Honolulu.

The Hawaii Housing Authority has at present 300 temporary units under construction at Halawa, and plans for 215 temporary units at Red Hill. Plans have also been completed for 100 units of permanent construction at Palolo.

While some progress has been made, there are no prospects that an adequate supply of housing will be available in Honolulu in the immediate future.

Labor-management.—Labor unions in Hawaii do not represent a gradual growth through a period of several decades, as they do on the mainland. Very extensive unionization took place in the short space of 5 or 6 years, beginning in 1940. Although this growth resulted in better working conditions and more equitable wages, it also produced tensions and strife unknown before. There are grounds for believing that labor-management relations are now somewhat more stabilized and improved. The number of work stoppages last year dropped to 12, from 26 the preceding year, and the man-days lost to 81,535 from 1,925,874.

A further indication of stabilization is the greatly reduced number of representation elections held by the National Labor Relations Board.

On the whole, organized labor now seems more concerned with the preservation of wages previously gained than in attempting to bargain for large increases. More emphasis has been placed upon the establishment or strengthening of union security, grievance procedure, seniority, and similar clauses.

There seems to be a growing awareness on the part of labor of management's problems, and an understanding on the part of management of the basic grievances of labor. The attitude on the part of each has facilitated the process of collective bargaining.

A brief statement covering the most significant developments during the past fiscal year in each department of the territorial government follows.

Attorney General's Office and the Courts

During the past year there has been an unusually large number of new appointments to the staff of the Department of the Attorney General. This was due to the fact that for the first time since the war qualified lawyers have been available to fill all vacancies in the legal staff. Thus, the extreme shortage of deputies from which this department suffered during the war and postwar periods has been relieved, the present staff of 11 lawyers contrasting with 6 as of June 30, 1947.

The personnel of the department as of June 30, 1948, was as follows: 11 legal staff members, consisting of the Attorney General, Assistant Attorney General, 9 Deputy Attorneys General; a clerical staff of 12 members, consisting of an administrator, 6 law stenographers, 1 clerk, 1 typist-receptionist, 1 messenger, and 2 investigators.

Summary of litigation conducted.—The following cases were disposed of in the courts or commissions indicated: Supreme Court of Hawaii, 3 cases; circuit courts, 22 cases; land court, 28 cases; United States District Court, 7 cases; and District Court of Honolulu, 20 cases.

Other legal services.—The Attorney General's department is the legal adviser for the executive officers and all the various territorial departments, bureaus, boards, and commissions. It also represents them in litigation. Further, it renders legal services to the legislature and to individual members thereof. In certain types of cases it represents the judicial branch of the government and performs requested services to the Delegate to Congress. In addition, it represents the Territory in all cases involving charitable trusts; in condemnation suits, both those brought by the Territory and those brought against it; in matters pertaining to the unauthorized practice of law by unlicensed individuals; and in cases involving grievances against attorneys. This department renders service in every land court application that is filed. It also commissions and supervises all notaries public in the Territory. When called upon it furnishes legal services to the poor and oppressed.

Statehood.—During the investigation conducted by Senator Guy Cordon, Chairman of the Subcommittee on Territories and Insular Affairs, one of the foremost opponents of statehood filed a bill for injunction claiming that Act 115 of the session laws of 1947, enacted

by the legislature to support and press the movement for statehood, was unconstitutional. On February 20, 1948, a demurrer to the petition was sustained and the case dismissed. The petitioner appealed the case to the Supreme Court, where all briefs have been submitted and the matter is awaiting argument. In view of the action of the Senate Committee on Interior and Insular Affairs in holding the statehood bill pending further investigation, the injunction case still retains its importance.

Regulation of teaching of foreign languages.—In 1943, the legislature enacted Act 104, Session Laws of Hawaii 1943, now chapter 31 of the Revised Laws of Hawaii 1945, regulating the teaching of foreign languages. The basic principle of the statutes is that the simultaneous pursuit at too early an age of courses of study in dissimilar languages, conflicts with the Territory's purpose of accomplishing universal education in the basic studies, and is harmful to the health and welfare of the children concerned; further, that it is not necessary to the learning of a foreign language that a child undertake a course of study therein earlier than the fifth grades. The statute seeks to defer the undertaking of all foreign language study until the child has passed the fourth grade or its equivalent. In actual practice educators now defer foreign language study even later. However, a number of the Chinese language schools which were in operation prior to the war, but which had been closed during the war, their premises being rented to various military establishments, desired to resume their operations in exactly the same manner as they previously were conducted, involving attendance at Chinese language school after school hours by young children, even first graders.

An injunction suit attacking the constitutionality of the statute was filed by three of the Chinese language schools in the Federal court. Although a preliminary injunction was denied, upon the final hearing of the case, it was held that the statute was unconstitutional. This case has been taken to the Supreme Court of the United States, where it is now pending.

To members of the bar of Hawaii the case has been of great interest, not only because of the constitutional law questions involved, but also because it constitutes the first of a series of three-judge court cases. Whether or not a court of three judges is required to test the constitutionality of a territorial statute in the Federal court when an injunction is sought will ultimately be determined by the Supreme Court of the United States.

Police investigation.—The announcement by Public Prosecutor Charles M. Hite, who was appointed to that office on March 31, 1948,

of his decision to nolle prosequere the remaining police graft cases brought an end to that matter. Chief among the reasons given by Prosecutor Hite for his decision was the reliance by the Territory in these cases, on the testimony of a high police officer, who was the personal recipient of the bulk of the protection money, large amounts of which he retained, but who had, nevertheless, been promised immunity from prosecution and aid in securing a pension. Mr. Hite pointed out that the testimony of this officer had not been accepted by the past juries. This is precisely the matter assigned as one of the principal causes of failure of the police graft cases in this department's report concerning the actions of the former public prosecutor. In that report it was pointed out that the former public prosecutor, upon his appointment, terminated all cooperation with this department and independently acted in granting the immunity to this police officer plus the promises concerning his pension. Because of this and other actions of the former public prosecutor, this office was forced to remove him in October 1947. In view of the whole situation, the decision not to prosecute the remaining cases seems wise.

Law enforcement.—The report of this development a year ago showed that there had been a slight over-all increase in criminal offenses. We believe this trend is now on the decline. While the calendar year 1947 witnessed a total of part I offenses (major offenses) of 5,778 throughout the Territory, as contrasted with 5,438 for the calendar year 1946, the first 6 months of 1948—that is, up to the end of this fiscal year—showed a favorable total of 2,886 offenses of this class, compared with 3,017 for the first 6 months of 1947, or a decrease of 4.4 percent during the first half of 1948.

The recommendations as to modernization of the Territory's prison program, made to the 1947 legislature but not fully adopted, should be renewed before the 1949 legislature.

Labor matters.—References were made in the report of a year ago to a number of cases growing out of the sugar strike of 1946. These cases are further reviewed in this report. In *Alesna v. Rice*, Civil No. 769, the Federal court dismissed the injunction suit upon final hearing of the case, but an appeal is pending in the Court of Appeals for the Ninth Circuit. The suit entitled "*ILWU v. Wirtz*," which was pending in the Ninth Circuit Court of Appeals at the time of our last report, has been disposed of in that court, the Ninth Circuit sustaining the Supreme Court of Hawaii in holding that a circuit court of the Territory is not a "court of the United States" within the meaning of the Norris-LaGuardia Act; this also had been held by all other courts entertaining the question. It is anticipated that an attempt will be made to take the case to the Supreme Court.

The remaining case growing out of the sugar strike of 1946 was *Territory v. Kaholokula*. The Supreme Court of Hawaii upheld the unlawful assembly and riot statute of the Territory, chapter 277 of the Revised Laws of Hawaii 1945, but on account of a defect in the form of indictment sustained a demurrer and motion to quash directed against the indictment. However, the defendants in the criminal case have renewed their attack against the unlawful assembly and riot statute by an injunction suit in the Federal court, mentioned below.

During the period of this report there occurred a pineapple strike, July 10, 1947, to and including July 15, 1947. Persons held to await the action of the grand jury as the result of two incidents in the county of Maui during the pineapple strike brought an injunction suit in the Federal court attacking the constitutionality of the unlawful assembly and riot statute above mentioned, also the conspiracy statute, chapter 243, Revised Laws of Hawaii 1945. They furthermore attacked the composition of the grand jury on charges of racial and economic discrimination, renewing a challenge to the grand jury which just previously had been heard and disposed of in proceedings before Judge A. M. Cristy, sitting in the second circuit in the place and stead of Judge Cable Wirtz who deemed himself disqualified, he having been one of the jury commissioners, ex officio. Another suit of the same character was brought by the defendants involved in the Kaholokula matter above mentioned.

In both cases three-judge courts were demanded and hearings on the matters, therefore, were delayed until a court of three judges could be assembled. Protracted hearings were held in April and early May 1948, and the cases submitted for decision.

The attack on the grand jury is modeled after cases brought in the Southern States, where race relations are wholly different from those in the Territory of Hawaii. The claim of economic discrimination is modeled after a similar challenge overruled by Judge Hall of the United States District Court for the Southern District of California in 1947 (70 F. Supp. 782). These are the first cases of their kind in the Territory of Hawaii.

Communism.—The national investigation of the loyalty of Federal employees has its counterpart in the Territory where the Commissioners of Public Instruction have issued notices to two school teachers to appear for a hearing as to whether they should be dropped from the service of that department. The bases upon which the superintendent of public instruction caused this matter to be brought before the commissioners of public instruction were chiefly that the teachers were members of the Communist Party and did not hold undivided loyalty to the Government of the United States; that this

party advocated the forcible overthrow of government; that the teachers did not possess the ideals of democracy; and that the retention of exposed Communists in the Department of Public Instruction was not in the best interests of its teaching program. The hearing before the commissioners of public instruction, originally set for December 18, 1947, was forestalled by a temporary restraining order obtained by attorneys for the teachers in the Federal court. Due to the demand made by these attorneys for a three-judge court, and the inability of Judge Metzger to assemble one before April 1948, it was not until May 1, 1948, that the court rendered its decision dismissing the injunction action. The hearing before the commissioners of public instruction did not take place during the period covered by this report.¹

Public utilities.—The rapid rises in costs occasioned an unusual number of rate applications before the Public Utilities Commission, notably applications by the Honolulu Gas Co., Honolulu Rapid Transit Co., and Mutual Telephone Co. During this postwar period utilities have been expanding, and in order to increase their capital assets have filed with the Commission a number of applications for approval of security issues. Thus, the past fiscal year has demonstrated what previously had been anticipated, that is, that the Public Utilities Commission badly needs a full-time qualified administrator who should be on a level with the executives of other boards and commissions. The necessary legislative amendments were submitted to the 1947 legislature but failed of passage. The recommendation for the creation of a top administrative position for the Public Utilities Commission should be renewed before the 1949 legislature.

Bureau of crime statistics and identification.—This bureau is located in the Records Bureau of the Honolulu Police Department, where it handles all criminal records for the police departments of the Territory in conformity with a uniform records and fingerprint-identification system as prescribed by the Federal Bureau of Investigation.

The bureau keeps the law-enforcement agencies informed through criminal abstracts of the activities and whereabouts of offenders, particularly transients with recidivistic tendencies; it notifies the Board of Paroles and Pardons of each offense committed by parolees under its supervision; notifies the county clerks of the Territory of Hawaii of every conviction punishable by imprisonment of more than 1 year affecting any citizen 18 years of age or over in the United States District Court of Hawaii; and maintains a firearms record.

¹ In the interim between the close of the fiscal year and the preparation of this report, the commissioners, by unanimous action, dismissed the teachers.

TERRITORIAL AND FEDERAL COURTS

During the fiscal year ending June 30, 1948, territorial and Federal courts disposed of the following cases:

Supreme Court.—The Supreme Court disposed of 35 cases.

Circuit courts.—The first circuit court (6 divisions) disposed of 5,312 cases; the second circuit court, 514 cases; the third circuit court, 1,156 cases; and the fifth circuit court, 581 cases.

Land court.—During the year 34 new applications were filed in the land court, which, with 68 pending cases, makes a total of 102 applications that were before the court. These cases involved 14,758.49 acres of land with an assessed value of \$2,237,399.39. Twenty-six decrees were issued during the period, leaving 76 applications pending on June 30, 1948. In addition, 771 minor petitions were filed and approved during the year.

United States District Court.—During the year 1,588 cases were filed in the United States district court. These cases were divided as follows: Admiralty, 9 cases; bankruptcy, 27 cases; civil, 62 cases; criminal, 99 cases; habeas corpus, 3 cases; and naturalization petitions and declarations of intention, 1,388 cases. Naturalization matters concluded numbered 1,188, and other cases concluded, 194.

Department of Public Works

At the beginning of the fiscal year, the department of public works was confronted with a large backlog of necessary work. This was due in part to the slowing up of all construction work during the war years and the first postwar years, when rigid regulations governing production and construction were still in force. Another cause was that the 1947 legislature authorized the largest public-works program in the history of Hawaii.

A creditable start has been made. Thirty-two contracts, totaling \$4,950,339, have been let during the year as against a total of \$3,271,267 during the preceding year, and a total of \$2,407,640 in 1945-46. There are now enough newly completed plans on the drawing boards to insure an even higher volume of construction during the next year.

In the public-works field, nearly every major project is controversial. Conflicting private interests and the participation of all three levels of government make this inevitable. Full consideration must be given to the conflicting viewpoints to arrive at the best solution consistent with sound engineering and economics. It has been a major task of this department to take the lead in resolving all such difficulties.

The Honolulu makai arterial highway, now being advertised for construction, is an example of this. It was necessary to find a location satisfactory to the Federal Public Roads Administration, to the city planning commission, and to interested property owners. The project was further complicated by including in the contract provisions for the simultaneous construction of city sewer mains and board of water supply water mains. While all this has caused considerable delay in bringing the plans to the construction stage, the public will benefit both from savings in total cost and from reduction of the inconvenience by avoiding the opening up of newly completed streets for construction of necessary utilities. This has been but one of many instances of cooperation among the various governmental departments.

In addition to new construction, the department has continued in its function as housekeeper for territorial buildings and highways. A high standard of maintenance has been achieved. Working conditions in territorial offices have been improved by large-scale substitution of modern lighting fixtures for the under-powered fixtures in many of the buildings. A continuous painting program has been maintained. Removal of prison work lines has retarded the improvement of territorial grounds, but it has been possible to maintain the status quo with available authorized manpower. Mechanization has been stressed wherever possible in highway maintenance.

From July 1, 1939, to June 30, 1946, construction cost indexes have shown a gradual increase of 85 percent. However, during the past 2 years, this increase continued upward until pegged at the all-time high of approximately 230 percent in June 1948. This devaluated construction dollar, coupled with appropriation limitations, makes it necessary for the department to exercise extreme care in the designing of urgently needed structures, and to secure the best results from available materials in the effort to provide needed improvements in territorial institutions and adequate office space.

Hawaii Aeronautics Commission

Act 32, Session Laws of Hawaii 1947, created an Aeronautics Commission for the Territory of Hawaii. This Commission of seven members took over from the superintendent of public works the administration of territorial airports as of July 1, 1947.

AIRPORTS

There are now 16 airports under the jurisdiction of the Commission. These are as follows:

Honolulu Airport.—It has been operated and maintained by the Territory pending formal transfer to the Territory by the Navy

Department. It is understood that the transfer is in the final stages in Washington, with details as to utilities to be worked out locally.

Hilo Airport.—It is under lease to the Army, and is in the hands of the War Assets Administration for return to the jurisdiction of the Territory. The Army has operated the control tower and the crash crew during the past year, with the Territory taking over the maintenance of the field lighting system.

Kamuela Airport.—Act 23, Session Laws of 1947, appropriated \$60,000 for improvements to Kamuela Airport. The airport is presently under lease from the Parker Ranch and approximately \$4,500 has been spent for fencing and minor improvements. Investigation of meteorological and topographical conditions is under way to determine a more suitable location in the vicinity of Kamuela for an airport.

Upolu Airport.—It was returned to the Territory by the Navy on February 6, 1948, with improvements in lieu of restoration.

Kailua Airport (Kona).—Act 153, Session Laws of 1945, appropriated \$100,000 for acquisition of land and the construction at Kailua, T. H., of an airport. Act 23, Session Laws of 1947, appropriated an additional \$40,000. Construction of this airport, including a paved runway 100 by 3,500 feet, was started on June 10, 1948, as a CAA Federal aid project.

South Point (Morse Field).—It has been turned over to the Territory by the Army under a "right of entry." The location of the field makes it very desirable as an emergency landing field on the south coast of Hawaii and has been turned over to Mr. James W. Glover to operate as such.

Puunene Airport.—It has been operated by the Territory during the past year with a minimum of expenditure due to the contemplated move to Kahului Airport. The Navy areas at Puunene are presently in the hands of War Assets Administration, but disposition has been held up pending outcome of negotiations between the Navy and the Territory of a 20-year lease on Kahului Airport.

Kahului Airport.—Naval Air Station, Kahului, Maui, was accepted from the Navy on December 1, 1947, under a temporary permit pending issuance of formal lease from the Navy. The execution of this lease has met an unexpected setback in the Navy Department, but details of disputed points are being worked out between the territorial attorney general's department and local naval authorities which, it is hoped, will satisfy the requirements of the Navy Department.

Included with all land areas and buildings at Kahului was a great amount of shop and automotive equipment. The land area in excess of requirements for airport purposes was further turned over to

various territorial and county agencies, including the Hawaii Housing Authority, County of Maui, Territorial Highway Department, Department of Agriculture and Forestry, and the Commissioner of Public Lands. The arrangement was for each territorial agency assigned an area to take custody and inventory of the equipment of their area.

Hana Airport.—Act 153, Session Laws of 1945, appropriated \$150,000 for grading and surfacing at Hana. The present Hana Airport is entirely inadequate for air carrier operations and the terrain is such to preclude expansion. Therefore, a site has been selected which is approximately 4 miles northwest of the village of Hana on land, the greater part of which is territorially owned. Construction plans are about 80 percent complete on this project.

Molokai Airport.—Custody and operation of Molokai Airport was returned to the Territory by the Army July 25, 1947, pending issuance of a formal document by the War Department.

Kalaupapa Airport.—Act 153, Session Laws of 1945, appropriated \$50,000 for improvement to Kalaupapa Airport, and the 1947 legislature, by Act 23, added \$40,000 for this purpose. This project will be undertaken when other priority airport projects permit.

Laanai Airport.—Grading and paving one runway 80 by 3,700 feet long has been completed by Hawaiian Dredging Co. for a total cost of \$236,671 as a CAA Federal aid project. The completed project was accepted by the Territory as of this date.

Port Allen Airport.—It has been improved by paving a section of the main runway 60 by 2,500 feet. The contract was awarded to Nawiliwili Transportation Co. for \$33,967.25; \$17,500 of this amount was contributed by the Army in lieu of restoration for war damage. This project was completed May 22, 1948.

Lihue Airport.—Act 23, Session Laws of Hawaii 1947, appropriated \$270,000 and Act 153, Session Laws of 1945, appropriated \$115,000 for acquisition of land at Lihue. Civil Aeronautics Administration is participating to the extent of \$316,375, making a total expenditure of \$701,375 available for land acquisition and construction. Project application has been submitted to Washington for this airport and it is hoped construction can be started this fall.

Haleiwa Airstrip (Oahu).—It has been operated under license from the Army since June 1946. The Army lease on the property expires September 1948, and it is believed the land will be withdrawn as an airport at that time. It has been the only field available on Oahu for student solo flying.

Bellows Field (Oahu).—A portion of this Army field was made available to the Territory on a "temporary right of entry" by the Army

in April 1948. This field is used by flying school operators for student instruction and solo flying. The field is also used by the Civil Air Patrol, which is a civilian auxiliary of the Air Force.

AIR TRAFFIC

During the year 1947, commercial airlines carried 63,055 passengers between Hawaii and the mainland of the United States, as compared with a total of 26,000 passengers carried by ship. In 1941, 1,153 passengers were carried by air and 66,000 by ship.

Control tower reports for Honolulu Airport show an average of 7,571 landings per month for the 12-month period ending June 30, 1948. This figure is doubled for total operations (landings and take-offs).

Interisland revenue passenger air traffic by scheduled airline during 1947 numbered 314,608, as compared with 48,855 carried during 1941. The increase was 265,753, or 543.96 percent.

Interisland revenue passenger air traffic by the major nonscheduled airlines during 1947 numbered 85,384. For comparison with the year 1941, it is to be noted that operations within this category did not commence until the summer of 1946.

On June 2, 1948, rules and regulations for the Territorial Airport system were approved and placed in effect. These rules will, among other things, enable the Honolulu Police Department to enforce traffic regulations at Honolulu Airport.

FINANCES

The following is a consolidated financial report for the fiscal year June 30, 1948:

Receipts

Opening balance July 1, 1947 (transfer from department of public works as approved by auditor)-----		\$1, 338, 550. 18
Revenues:		
Fuel tax collections-----	\$557, 451. 21	
Aviation, concession, miscellaneous-----	234, 016. 70	
Trust fund (sale of coral, etc.)--	89, 204. 87	
Federal grants-----	68, 649. 66	
	<hr/>	\$949, 322. 44
Others:		
Transfers—unrequired encumbrance-----	956. 51	
Transfers—vacations, etc-----	371. 77	
	<hr/>	1, 328. 28
		<hr/>
		950, 650. 72
		<hr/>
		2, 289, 200. 90

Disbursements

Operating costs:

Salaries and wages.....	\$263, 906. 04	
Stationery and supplies.....	4, 164. 07	
Materials (building and field).....	46, 056. 61	
Communication expense.....	1, 705. 85	
Travel expense.....	11, 046. 56	
Transportation of things.....	274. 24	
Advertising and publication....	1, 530. 19	
Utility charges.....	28, 600. 80	
Rentals.....	876. 56	
Repairs and alterations.....	2, 301. 08	
Insurance expense.....	6, 930. 77	
Motor vehicle upkeep.....	18, 673. 60	
Engineering expense ¹	30, 757. 78	
		\$416, 824. 15

Other:

Land.....	204, 216. 69	
Buildings.....	39, 058. 46	
Equipment.....	38, 648. 54	
Work in progress.....	105, 800. 68	
Prepaid insurance.....	100. 81	
Reimbursable expenditures....	16, 169. 91	
		403, 995. 09

\$820, 819. 24

Unencumbered balance, June 30, 1948.....	1, 468, 381. 66
Encumbrances (contracts).....	143, 000. 00
	<u>1, 325, 381. 66</u>

¹ Partially reimbursable advances against engineering and capital expenditures.*Department of Labor and Industrial Relations*

The department of labor and industrial relations was organized January 1, 1940. During the 8½ years of its service, there has been a growing public awareness of the virtue in good labor-management relationships. More and more the people of the Territory are likewise becoming informed on how such a relationship can be achieved in the day-by-day conduct of business as well as in the heat of contract negotiations. The new industrial relations program at the University of Hawaii will make a valuable contribution toward informed public opinion on this subject. The department of labor and industrial relations also expects to offer leadership to the community in this respect. One way in which this is already being done is in the recruiting of men and women from all walks and with varied interests to serve on mediation boards. Thus the function and procedures of mediation become better known and understood.

The department is equally interested in offering effective service directly to the parties in labor disputes where the assistance of a government agency is indicated. The staff seeks to maintain an impartial and helpful viewpoint, and as a result has often been able to draw out the heat from a combustible situation. As acceptance of the department's services increases, the statutory admonition "to promote the voluntary mediation of disputes between employers and employees" will be better realized.

During the fiscal year ending June 30, 1948, most phases of the program have increased in volume and importance. Of particular interest is the trend of employment opportunities in the Territory during the second postwar fiscal year.

Bureau of unemployment compensation.—The most significant feature of the activities of the bureau of unemployment compensation was the continued increase in the payment of benefits and allowances to civilians and World War II veterans. A total of \$767,339 was paid to claimants under the unemployment compensation law during the year, which represents an increase of 122 percent over the preceding period. Initial claims rose from 4,398 to 6,731.

Veterans readjustment program.—Under this program \$829,539 was paid, representing an increase of 128 percent. Four thousand one hundred sixty-nine veterans filed initial claims during the year, as compared with 3,578 in the preceding period. Although it is difficult to attribute this rise to any single factor, many of the returning World War II veterans are young and have little or no work record, making it difficult to place them in the current tight labor market.

The increase in general unemployment benefits was due in part to the cessation of nonseasonal operations in the pineapple industry and also to a policy on the part of the employers to weed out their less-desirable workers, who, under present employment conditions, are difficult to place in new jobs. Some of the unemployment may be attributable directly and indirectly to the closing down of three sugar plantations with pay rolls amounting to over a million dollars per year.

Hawaii employment service.—Activities of the Hawaii employment service were high lighted by a large increase in workload, especially in reception contacts, new applications, claims, and active applications. Reception contacts increased 56 percent for the year ending June 1948, as compared with the previous year. This was caused by a decrease in job opportunities, which dropped 46 percent in nonagricultural openings and 54 percent in agricultural openings. The supply of labor available, as shown by employment service active files, increased 132 percent and new registrations for employment increased 10 per-

cent. The media of newspapers, radio, and field visits were used in an effort to contact major labor market firms to secure job openings, but total employment for the Oahu area has gained less than 1 percent while unemployment has increased 170 percent during the past year. Four thousand eight hundred seventy-one individuals, representing 3.6 percent of the total labor force, were unemployed as of June 1.

Bureau of research and statistics.—Effective July 1, 1947, the bureau inaugurated a monthly retail food-pricing program which permits a more current analysis of costs to consumers than was possible when prices were collected on a quarterly basis. The food index for the fiscal year changed from 137 on June 15, 1947, to 143.2 on June 15, 1948—an increase of 4.5 percent in the 12-month period. A survey of approximately 500 firms in the service group was begun in April 1948—to determine wages, hours, and working conditions of employees in this group. This study will permit a comparison of wages paid for similar occupations in Honolulu since 1942.

Workmen's compensation.—During the past year, 20,822 workers sustained industrial injuries resulting in multiple permanent disabilities and 38 deaths. Direct cost to employers of these injuries was \$1,020,411.10, while hidden costs, based upon the National Safety Council formula, brought the figure up to \$4,081,644.40. These figures reveal a 23.9-percent increase in the number of industrial injuries and occupational diseases and a 29.6-percent increase in direct compensation costs.

A total of 7,730 employers, including 87 authorized self-insurers, have filed security for payment of workmen's compensation benefits. These establishments employ approximately 200,000 employees within the jurisdiction of the Hawaii workmen's compensation law.

In a move to curtail rapidly rising industrial accident frequency and severity rates, the 1947 legislature created a division of industrial safety within the bureau of workmen's compensation, in immediate charge of an industrial safety engineer, but did not provide funds for an adequate staff. However, 203 general safety inspections and 36 accident investigations were made, which resulted in orders prohibiting use of equipment and recommendations for correction of unsafe practices. As a result of a boiler code adopted by the commission of labor and industrial relations in 1947, 513 steam-boiler inspections were accomplished and 511 permits issued. Joint labor-management safety programs were promoted by the division within industry.

In the 12 months just concluded the wage and hour division inspected 2,153 establishments whose pay rolls carried a total of 30,416 employees. Two hundred and ninety-one firms were found in violation of the wage-and-hour law and were required to make restitution to 1,252

employees of approximately \$58,000. In the same period the division handled 26 complaints wherein employers were required to pay back wages totaling \$6,083.13, this sum being included in the grand total of approximately \$58,000 in back pay found due.

The number of wage claims filed by employees doubled and the total amount claimed was two and one-half times that of the preceding year. Business failures, particularly among contractors, account for much of the rise.

Minors' employment certificates issued by the child labor division have declined from a peak of 21,028 two years ago, to a low of 10,804 during the past fiscal year, indicating the diminishing labor market for children under the age of 18.

Apprenticeship council.—Because employers in the Territory are becoming aware of the fact that if they are to have skilled employees, they must train them, the number of employers participating in apprenticeship programs approved by the apprenticeship council has increased 319 percent since June 30, 1946, and the number of indentured apprentices has increased 362 percent. Distributed over 6 islands, there are now 197 firms engaged in apprentice-training programs in which 98 trades are represented.

Mediation services were offered by the department to all parties involved in labor disputes that came to its attention during the year, and numerous disputes were resolved through informal participation by the department before they had progressed to the stage of economic reprisal. Twelve strikes occurred that resulted in approximately 76,000 lost man-days and affected over 21,000 employees. In July 1947, 18,500 pineapple workers were idle for 5 days, resulting in a loss of 71,300 man-days to this industry. Mediation boards were appointed by the Director under the Hawaii Public Utilities Labor Act in four disputes and in three of these disputes emergency boards were appointed by the Governor, due to the inability of the mediation boards to bring the parties together. In all of these disputes, strike action was successfully averted by the boards.

Department of Institutions

A program of expansion and modernization affecting all institutions of this department was authorized by the 1947 session of the territorial legislature. This program is now well under way. It is the purpose of the department, through similar improvements requested of the legislature, to convert these institutions from a strictly custodial service to modern centers of treatment, training and rehabilitation. This purpose is receiving the active support of the public and of many civic organizations.

With the return to more normal conditions, efforts are being made to bring about greater centralization of control, to simplify the general administrative functions of the department and to increase economy of operations.

Office of the director.—Total expenditures by the office of the director for administration and supervision amounted to \$73,031.23. The staff consisted of the director and 12 workers.

Territorial hospital.—The territorial hospital serves the mentally ill of the Territory. It has expanded and improved its medical facilities in diagnosis and treatment by employing all recognized psychiatric procedures. Group psychotherapy, psychiatric nursing, and the latest modifications of various shock therapies now form an integral part of the therapeutic apparatus. This is in keeping with the basic policy of converting the hospital into a modern treatment center and eventually removing all vestiges of a custodial institution.

A total expenditure of \$1,142,659.00 was made for an average daily patient population of 1,071. The per capita per diem cost was \$2.91. There was a total staff of 245, giving a staff-patient ratio of one employee to 4.37 patients.

Four hundred seventeen patients were admitted to the hospital. Of these, 353 were first admissions and 64 were readmissions. A total of 546 patients were discharged and paroled as follows: 159 discharged, 126 Filipinos discharged and repatriated to the Philippines, and 261 paroled. Ninety-four patients were returned from parole.

The building of a new hospital unit for 215 patients suffering from acute and reversible mental illnesses was begun on March 10, 1948. This new modern structure will be ready for occupancy in the summer of 1949.

Waialeale Training School for Boys.—Waialeale Training School is maintained for delinquent boys. Total expenditures in this institution were \$208,642.54 for an average population of 182.73 boys, or a daily cost per boy of \$3.1196. There was an average staff of 27.92 members, giving a staff-boy ratio of 1 to 6.54.

The number of boys in the institution at the beginning of the fiscal year was 177 as compared to 190 at the close of the year. There were 74 new commitments. The number of boys on parole at the beginning of the year was 195 as compared to 165 at the end of the fiscal year. During the year 50 escapes by 42 wards were recorded as against 121 escapes by 68 wards during the previous fiscal year.

The vocational program included the building of several residences by the boys and much repair work on various buildings on the campus. The highlights of the year included the paving of all roads on the main campus, building of 1 duplex cottage for staff, building of

two 50,000-gallon redwood water tanks, complete painting of 2 staff cottages, dining hall, boiler house, office building, 2 classrooms, gymnasium, hospital, the inside of 3 dormitories and 100 single beds, and the beginning, on a small scale, of furniture making of koa lumber by the carpentry group.

Kawailoa Training School for Girls.—Kawailoa Training School is maintained for delinquent girls. Total expenditures in this institution were \$178,020.69 for an average ward population of 154.47, or a daily cost per girl of \$3.12. There was an average staff of 25.92 members, giving a staff-girl ratio of 1 to 5.9.

On July 1, 1947, the total ward population was 176 girls with a closing population of 153 girls on June 30, 1948. The governing factor is the noted decrease in the number of commitments during the past year. Fifty commitments for the year as against 72 for the prior year is an indication that better control over juveniles is being maintained by the courts.

Waimano Home.—Waimano Home cares for the feeble-minded and epileptics. A total of \$599,594.44 was expended for an average patient population of 635.7, or a daily cost per patient of \$2.584. There is a total staff of 132, giving a staff-patient ratio of 1 to 4.8. The true ratio of ward attendants to the patients was 1 attendant to 42.5 patients.

The population at the end of the fiscal year totaled 665 patients. There were 63 new admissions and 20 patients were paroled, making a total of 89 patients on parole at the end of the fiscal year.

The training program for the patients in a large field of diversified tasks continues with emphasis on active participation by as many of the patients who can profit therefrom. Farm production had an approximate value of \$100,918.95.

Territorial penitentiary.—Oahu Prison is the territorial penitentiary to which are committed all adult felons, both male and female. Total expenditures were \$642,867, for an average inmate population of 559, or a daily cost per inmate of \$3.15. The institution has a staff of 102, thus giving a staff-inmate ratio of 1 to 5.48.

The population of the territorial penitentiary increased from 512 during the prior fiscal year to 592 on June 30, 1948. Present indications are that the population will continue to increase.

As the 1947 legislature failed to provide for complete relocation of the prison, the area adjacent to the prison is currently being fenced, quonset huts are being erected, and detailed plans are in process for the industrialization of the program at the main prison. All outside worklines engaged on public projects were withdrawn on April 5, 1948, and a large portion of the men were assigned to construction and re-

habilitation work in the future industrial area. The proposed industrial program will make it possible to employ inmates in jobs with considerably larger training value.

The Kulani water development, which will provide 1½-million-gallon storage, is now 80 percent complete, thereby insuring a dependable and constant source of water so necessary to the further development of the area. A 60-inch sawmill has been acquired and set in place ready for operation. By executive order, 5,600 acres of land for agricultural development was withdrawn from the board of agriculture and forestry and assigned to the department of institutions. A 20-acre permanent fruit orchard has been planted. Plans have been drawn up for clearing of much additional land to be used for pasturage and agricultural purposes.

For the purpose of housing inmates and staff engaged in the construction of the Kanaio-Nuu Road, the Haleakala Road Camp was constructed by Olinda inmates and was first occupied on November 1, 1947. With technical supervision furnished by the department of public works, there are now approximately 7 miles of completed road, with approximately 12 miles remaining to complete the job.

Division of parole and home placement.—A total of 697 persons from three institutions were given care and supervision by the division of parole and home placement during the current fiscal year at a cost of \$0.60 per day per person. The total expenditure of \$98,268.76 provided for a total staff of 20 persons with a ratio of 1 to 23 for supervision of delinquents, and 1 to 51 for supervision of the feeble-minded.

Board of paroles and pardons.—The board is charged by law with the fixing of minimum sentences and paroling of prisoners. Total expenditures of the board for the fiscal year amounted to \$40,875.97, for an average of 849 parolees. For the total of 538 parolees within the Territory, the per capita per diem cost was \$0.21. There is a staff of 10, thus giving a ratio of staff to parolees of 1 to 53.8.

At the beginning of the year there were 853 persons on parole, 248 of whom were out of the Territory. Releases on parole during the year totaled 157. Discharges from parole were 117. Paroles were revoked in 46 cases, a decrease of 10 from the previous year. On June 30, 1948, there were 849 on parole, 311 being out of the Territory. Out of the total of 538 parolees within the Territory, 461 were employed and 56 were unemployed. The remaining 21 were the disabled, unemployable, or in other institutions.

The board considered 218 cases for fixing of minimum sentences, 151 for parole, 16 for commutation of sentence, 3 for final discharge, 121 requests for early parole, and 52 references by the Governor for pardon and commutation of sentence. The board views the growing un-

employment situation as a matter which will probably hinder future operations in readjusting those on parole.

When the above meager cost of maintaining a person on parole is compared with the much greater cost of maintaining the same person in prison, parole is seen to be both wise and economical. Additional parole officers should be allowed to reduce the present heavy caseloads which often exceed 150.

Education and Recreation

Most of the problems in the field of education have centered around the increased cost of personal services, buildings, and educational supply and equipment items. In spite of these limiting factors, progress has been made.

Public schools.—The past year has seen the problem of obtaining adequately trained teachers return to almost a normal basis. It is still necessary to bring in teachers from the mainland to fill vacancies. There have been more applications from the mainland than there are vacancies to fill. This condition has been brought about by fewer than usual of the regular teachers going on leave, many more than usual returning from leave and, the most significant factor of all, the reduction in the total teaching staff necessitated by going from a 30 to 1, to a 32 to 1 pupil-teacher ratio. In changing over to the higher ratio, approximately 175 positions were eliminated during the past school year. No regular teachers were dropped. The necessary savings were made by not filling vacancies as they arose and by dropping untrained teachers who had been serving on temporary emergency appointments.

The problem of juvenile delinquency is a nation-wide challenge to educational workers. It has been given careful thought by the public school staff in Hawaii. It is felt that the school is in a position to make a constructive contribution to the problem. There is a definite correlation between truancy and delinquency. The challenge to the school is to find ways and means of controlling both.

Pupil guidance and vocational guidance have operated as two separate divisions. In order to make the program more effective, what is known as a guidance service committee has been organized. The directors of the two guidance divisions and representatives from other branches of the school department interested in the field are members of the committee. Its main purpose is to integrate all guidance work and to seek ways and means of getting better results. This whole program was given a great impetus by the visit of Harry A. Jager, Chief of the Occupational Information and Guidance Service, United States Office of Education. He spent approximately a month in

Hawaii, visiting schools, studying their problems and making suggestions for improvement.

In relation to the expansion of the public school program, the most important developments have been in the kindergarten program and the adult education program. The kindergarten program was established 5 years ago on a progressive basis, with a total of 36 classes in 12 schools. Last year, there were 122 classes in 64 schools. Within 5 years, complete coverage will have been attained.

The Division of Adult Education was established in January 1946. There are now 7,552 adults enrolled in classes covering academic, civics, cultural, recreational, and social studies courses of less than college level. These classes, which represent all parts of the Territory, are financed largely through fees paid by those who enroll.

Statistics show that during the past year 83,347 pupils were enrolled in grades from the kindergarten to the high school; the total employed staff was 3,461; total expenditures, excluding capital outlay, was \$15,159,040.70 (from territorial funds, \$13,301,590.55; from Federal funds, \$213,254.28; from county funds, \$1,644,195.87).

University of Hawaii.—The principal problem of the university during the past year was to provide for a record-breaking registration of 3,800 students with insufficiently expanded facilities. Fortunately, the faculty had been augmented in anticipation of the increase, so that an instructor-student ratio of 1 to 17, the most favorable since 1941, was maintained. The permanent physical plant was enlarged by the erection of a high-school building which enables the university to carry students through from preschool to graduate school, and by an addition to the student union building.

The university carried on a program of research, public services, and regional responsibilities. On the local social welfare and education scene, courses were offered in child and public welfare, marriage and morals, local food habits, criminology, municipal government, and retail-store management for the blind. The psychological and psychopathic clinic conducted more than 2,000 examinations; the social research laboratory carried on research in race relations; courses were offered in community organization, the family as a universal institution, and elements in juvenile delinquency; 4-H Clubs were sponsored with an eye to reducing delinquency, increasing local food production, and furthering better living conditions in the face of rising prices. Teachers College, working closely with the department of public instruction and the chamber of commerce, has trained for community service, dental hygienists, and primary and secondary school teachers, including home economists and physical-education instructors. An

intensive 40-hour course for teachers of automobile driving was conducted in cooperation with the American Automobile Association.

On the industrial and economic front a faculty member was reappointed to conduct the report for the department of labor; two staff members were assigned to arbitration boards to settle strikes; and a visiting professor conducted courses on labor problems and industrial relations. Courses were given in business and industrial psychology. In agriculture extensive experiments were carried on in freezing local fruits, preparing quick-frozen fish, and packaging and shipping food and orchids by air. Crop estimates were provided; plant-physiology practices were applied to sugarcane growth; the cultivation of local forage crops was encouraged; courses were given high-school teachers in the operation and care of mechanized farm equipment; and harvesting machinery was adapted to local conditions. Work on fruitfly control continued, and more efficient livestock, swine, and poultry management practices were furthered. Five improved macadamia nut varieties have been developed, and it is estimated that the improved types of vegetables have added half a million dollars to the annual income of island growers.

The university was active in the arts, contributing to the cultural background of the community. The music department played a leading role in organizing a community-wide music festival, and cooperated with the Theatre Guild in promoting musical productions. The Theatre Guild presented several successful dramas. The art department arranged a popular exhibit at the Honolulu Academy of Arts, featuring pottery produced from local materials and textiles incorporating Hawaiian design. The university library, containing a total of 190,000 bound volumes with outstanding collections on Hawaii and the Orient, expanded its collections on marine biology and the Pacific Islands in anticipation of intensive work in those fields.

Information on a wide variety of subjects was disseminated to the community through public lectures, press releases, radio programs, moving pictures, books, bulletins, pamphlets, and brochures. Pacific Science, the university's quarterly magazine devoted to the biological and physical sciences, increased in size, importance, and reputation. The newly authorized University of Hawaii Press reprinted Professor Kuykendall's Hawaiian Kingdom, published a collection of fortieth anniversary speeches, and edited the first five volumes of the forthcoming work, Insects of Hawaii, a cooperative project with the Bishop Museum and the Hawaiian Sugar Planters' Association. The legislative reference bureau furnished information to the Hawaii Statehood Commission and rendered valuable technical assistance to the students during their Model Constitutional Convention.

On the national front, 12 members of the university served on the High Commissioner's Advisory Committee on Education for Guam and the Trust Territory. Summer sessions were again held on Guam. The dean of the College of Agriculture was sent to Guam as consultant, and Guamanian agriculturists took courses on the campus. An extension service agent gave home demonstrations on Saipan. The Navy asked a member of the anthropology department to investigate conditions on the island of Rongerik (Marshalls); the chairman of the zoology department participated in a survey on the effect of the Bikini atom bomb on marine life; and a graduate assistant cooperated in the CIMA program of the National Research Council in the Marshall Islands.

In the field of international relations, courses were given on international organization and finance, relations with the Far East, democracy and totalitarianism, and the economic system of Soviet Russia. A series of motion pictures depicting epochs in Russian history was presented with critical comment. The chairman of the philosophy department was granted leave to collaborate with Sir S. Radhakrishnan on a study of comparative philosophy. The vice president of the university was reactivated by the Army to make a survey of Korean education and has recently been appointed alternate member of the South Pacific Commission. The chairman of the government department was one of a group including other faculty members and students representing Hawaii at the meeting of the Pacific division of UNESCO and later became chairman of the local United Nations group. Applications for admission to the graduate school come from every corner of the world, but lack of housing and the pressure of obligations to undergraduates preclude expansion in this direction. Eminent scholars from abroad shared their knowledge at convocations and at luncheon meetings to which community leaders were invited.

Facilities to encourage the free interchange of ideas and information under less formal auspices are among the university's most pressing needs. Adequate faculty and student housing will make possible an important and cohesive element of campus life which cannot be said now to exist.

Library services.—Magazines and books borrowed from the Library of Hawaii and its 66 agencies throughout Oahu, totaled 848,209, an increase of 46,068 over the previous year. There were a total of 188,425 volumes in the library. In all, 68,455 different individuals borrowed books and other materials from the library. The phonograph record collection grew in popularity. During the year 8,583 records were borrowed and 9,034 people registered to use the listening room. Linguaphone records for the learning of foreign languages

were used by 401 persons. The Library for the Blind circulated 16,317 Talking Book Records, as well as 486 volumes in Braille.

The beginning of construction of the new Kalihi-Palama Branch Library in May marked the end of a long period of effort to get this project underway. The extension of the Kaimuki Branch Library was completed in May 1948. The Waialua Branch Library, for which an appropriation of \$50,000 was made in 1945, is still held up, pending negotiations regarding a site.

The expenditures of the Library of Hawaii from the territorial appropriation were \$241,068, while \$26,462 came from other sources. Based upon an estimated population of 360,957, the annual expenditure per capita was 74 cents. With this small sum it has been impossible to purchase sufficient books to meet the demands made upon the library. With costs as they now are, the standard set for minimum library service is \$1.50 per capita, while adequate service requires \$2.25.

Library service in other parts of the Territory also shows improvement. The Hawaii County Library now has a book collection of over 85,000 volumes. There was a total circulation of 331,966 of books, pamphlets, and magazines. This library has the largest phonograph record collection in the Territory. These may be loaned or used in the listening room of the library. A new library building for Hilo, for which an appropriation of \$300,000 was made by the legislature in 1945, is now being completed.

The Kauai Library Association has reported that 52 percent of all books borrowed were nonfiction. Two new buildings, one at Waimea and one at Hanapepe, are being made available for use.

Public archives.—The Public Archives continued to serve effectively in spite of greatly overcrowded conditions and an incomplete staff. A marked change was noted in the quality of reference and research materials requested. Professors and writers have come to use materials in the archives. Still others have written for bibliographies on varied subjects pertaining to the Pacific area.

There has been a wide range of services to the community: Information was provided for 3,361 individuals and agencies that requested help; 188 certificates of arrivals and/or departures were issued; 164 requests were received for legislative records, and 26 for records from the Office of Civilian Defense files; 39,023 index cards were typed and filed; 601 pages were translated from Hawaiian into English; 816 pages of requested information were typed for patrons; and 2,183 hours were spent in searching records.

The Public Archives is confronted by two urgent needs: First, a new and adequate building; second, legislative authorization for the

disposal of nonessential records, based on the provisions of the Federal law.

National Park Service.—The year 1948 showed satisfactory achievement based on available funds and manpower. The program was enlarged through securing from Surplus Property, much needed equipment and tools under Public Law 478.

The Hawaii National Park operated during the year on a total budget of \$103,578, with a total expenditure of \$103,031 for administration, maintenance, and small equipment, leaving an unexpended balance of \$547.

The staff consisted of 28 permanent and 19 WAE positions, all of which were filled, with the exception of 1 clerk-stenographer. The securing of an additional naturalist to the staff and the acquisition of a complete photographic laboratory from the Navy, have made possible more lectures, nature excursions, and caravans on the weekly program.

The privilege of using funds originally provided for repair and rehabilitation (for labor and incidentals), for the purpose of improving the water system, and the acquisition of material and equipment from surplus and excess military stocks, made possible a greater protection against fire hazards than had ever been had before. Over 1,000,000 gallons of additional water storage, a completely new pumping arrangement, and 2,200 feet of 6-inch cast-iron pressure lines, including standard fire hydrants, were installed, and the water collecting system improved and rehabilitated throughout. At the present time the park has water tank storage of 2,100,000 gallons.

A program of research and observation was carried out. There were no eruptions of either Kilauea or Mauna Loa volcanoes, although fume was observed at times over Mauna Loa. Numerous earthquakes were recorded, some of which were perceptible but none destructive.

Effective January 1, 1948, the United States Geological Survey, under a mutual agreement with the National Park Service, took over all volcano research in the park. The volcanologist and instrument-maker were transferred to that organization as of that date, and the Geological Survey will carry on the program of volcano research in coordination with their basic research program in the Pacific area.

Parent-Teacher Association.—Increased membership and an expanded program of services have characterized the work of this organization. In 1933, the total membership was 6,337; in 1938, 14,439; in 1943, 6,782 (war year); and in 1948, 31,039. This growth indicates a live interest in problems confronting school, home, and community. The most serious of these problems pertain to lapses in home and family life and to juvenile delinquency. The major effort of the asso-

ciation centers around education in the home and the effort to secure adequate financial support for the public-school program.

Department of Health

A number of agencies and individuals have contributed toward improving Hawaii's health picture during the past year. Public health is everyone's business and only through large scale participation by the population in putting public health measures into effect, are decreases brought about in mortality and morbidity.

Voluntary health agencies have contributed money and time toward improving the health of the people of Hawaii. Agencies with large programs and considerable funds under this category include the Tuberculosis Association of the Territory of Hawaii, the local chapter of the National Foundation for Infantile Paralysis, and the National Society for Crippled Children and Adults, as well as local agencies not affiliated with national organizations, such as the committees on the various islands which manage tonnage tax funds, the Territorial Mental Hygiene Society, and the newly formed Hawaii Cancer Society. Local industrial concerns, particularly the sugar and pineapple plantations, have continued the excellent program which has brought the health statistics of the people on the plantations to a better general level than that of the Territory as a whole. The county health departments and the territorial public welfare department have continued to pay for the medical care of indigent persons, but there has been some lack of funds to meet the rising cost of such care.

The territorial board of health expended \$4.29 per capita, or a total of \$2,287,000, for public-health purposes during the year, a significant increase over the \$3.70 per capita spent the previous year, and an almost unbelievable increase over the \$1.34 per capita spent in 1939. Three-fourths of last year's expenditures came from territorial tax funds appropriated by the legislature, and one-fourth from Federal funds appropriated by Congress.

The work of the various health agencies, private professional practitioners in the health sciences, hospitals, and other health institutions, brought certain mortality rates in the Territory during the past year to record lows and to figures which compare favorably with rates anywhere in the world. Rates for certain of the chronic diseases and infant death rates from prematurity, however, have shown an increase or have remained stationary. In almost every instance the disease conditions which have been showing a decreasing incidence during the previous 10 years continued to decline, whereas those showing an increased or a stationary incidence continued to show the same trend.

Thus, the need for shifting the emphasis of the public-health program has become more and more apparent. More attention is now being given to the chronic type of disease.

The infant mortality rate for the fiscal year ended June 30, 1948, was 29.1 deaths per 1,000 live births, which is the second lowest in the history of the Territory, bettered only by the rate for 1946 of 28.5. The maternal mortality rate reached a remarkable all-time low of 0.7 death per 1,000 live births, which represents only 10 deaths of mothers during pregnancy and childbirth during the year. The total crude mortality rate was 5.6 compared to the rate of 6.0 for the previous year. All these conditions have shown a marked downward trend during the past decade and compare favorably with the rate of the United States as a whole.

Unlike infant and maternal mortality, the death rate from tuberculosis did not show a decline during the war years. It has in the past been considerably higher in Hawaii than for the United States as a whole. A particularly encouraging change during the past year, therefore, was a 25 percent decrease in tuberculosis mortality from the previous year. The death rate from this disease dropped from 49.0 per 100,000 population to 37.1 and approached the rate of the United States as a whole. Of considerable interest in analyzing the tuberculosis problem is the wide variation in the death rate from this disease among the racial groups which make up the population of Hawaii, ranging from the exceptionally high rate of 214.8 per 100,000 among the Hawaiian group, to the relatively low rate of 37.3 among those of Japanese descent, and the exceptionally low rate of 21.9 among the Caucasian group.

The first four leading causes of death remained in the same order as during the previous year; namely (1) diseases of the heart, (2) cancer and other malignant tumors, (3) congenital malformations and diseases of early infancy, and (4) nephritis. It is to be noted that three of these four causes are diseases found mostly among persons in the older age groups. This is also true of the fifth leading cause of death for last year, which was intracranial lesions of vascular origin, and the ninth cause of death, which was diabetes. All of these conditions have been showing either a steady rise in death rate or a constant rate. Hawaii has as yet only a small control program in this area, which is mainly supported by a Federal grant-in-aid to the Territory for cancer control. Of the 2,976 deaths reported during the year, 1,610 occurred from the 5 causes concerned with chronic diseases.

The stillbirth rate in the Territory reached an all-time low of 14.1 per 1,000 live births for the year. This compares favorably with 15.7 for the previous year and 14.7 for 1946. The birth rate continued to

be high, with a figure of 27.2 per 1,000 estimated population against 26.9 for 1947. Over a 10-year period, the birth rate per 1,000 population has increased from 21.9 to 27.2 and the stillbirth rate per 1,000 live births has decreased from 25.1 to 14.1. Hawaii's birth rate has always been comparatively high. The marriage rate for the year was 10.8 per 1,000 estimated population as compared with 11.6 for 1947.

There were again no large epidemics during the fiscal year, although whooping cough, chickenpox, and mumps did reach epidemic proportions. As was true the previous year, an all-time low record for deaths from communicable diseases was made during the fiscal year 1948. Three hundred and eight civilian deaths from this type of disease occurred, as compared with 397 for the previous year. Of these 308 deaths, 198 were from tuberculosis. There were reported to the board of health 7,092 cases of communicable diseases, exclusive of tuberculosis and venereal diseases, as compared with 4,511 cases for 1947. There has been a rather remarkable decrease in deaths from communicable diseases during the past decade; 591 in 1939 and 310 in 1948. These figures show number of deaths rather than rates. The decrease in rates is more encouraging than the decrease in numbers, since the Territory had an increase in population during this 10-year span of approximately one-third.

It is probable that a number of factors contributed toward the marked decrease in the tuberculosis death rate. A major influence was the continuation of case finding through surveys, by means of small film X-rays. One hundred and eight thousand persons were X-rayed in the past fiscal year. This compares with 126,164 for the previous year. No concentrated mass X-ray survey for the city of Honolulu was done during the fiscal year 1948, as was true for the previous year. The number of persons on the waiting list for admission to the tuberculosis sanatoria was greatly reduced during the year, due both to the opening of two new buildings of the large Leahi Hospital in Honolulu, which were built from funds appropriated by the territorial legislature, and to a decrease in the application of far-advanced cases for admission to the hospitals. (Cases admitted in an early state leave the hospitals much more quickly than those admitted in the far-advanced stage.) The territorial appropriation of the 1947 legislature for more hospital beds for tuberculosis is still unspent, since it takes some time to file plans, obtain beds, and build hospitals. It is anticipated that during the forthcoming fiscal year, with the completion of the tuberculosis hospital-building program allowed by appropriations made by the legislature, there will be enough beds for all the tuberculosis patients.

Nutrition teaching by county nutritionists paid for by the Tuberculosis Association and assigned to the Health Department to work under the Department's nutritional administrator, has undoubtedly aided in increasing resistance of people to the onslaughts of tuberculosis.

There was a noticeable decrease in the number of venereal disease cases reported to the Health Department during the year, as compared with the previous year. The total number of syphilis cases decreased from 1,002 to 727. There were 1,351 cases of gonorrhea reported, as compared with 1,434 for the previous year. There was a moderate increase in the amount of clandestine prostitution, with 30 percent of the venereal disease patients naming prostitutes as the source of their infection. During the previous year only 16 percent reported acquiring their infections from prostitutes. Due to unreliable reporting of venereal disease cases, the rates for these diseases are not generally used for comparative purposes.

After much study and a number of meetings held over a period of more than a year, regulations concerning working places and working conditions were passed by the board of health and signed by the Governor during the latter part of 1947.

No human plague case was reported in the Territory during the year, the last case being reported in April 1945. There was also a marked reduction in incidence of typhus fever, with 38 cases reported in the Territory, 14 of them in the city of Honolulu. For the previous year, 77 cases were reported in the Territory, 59 of them in Honolulu. A concentrated program of ratproofing buildings, eradication of rats present in buildings, and application of 10 percent DDT powder along rat runways and into harborages was in effect in the city of Honolulu.

The breeding index of the dengue-carrying *Aedes* mosquito was maintained at a low level in the cities of Honolulu and Hilo. There were no cases of proved dengue reported. Some control measures were taken to reduce the number of night mosquitoes, chiefly by the application of mosquito fish to bodies of water where they breed and some wide-scale spraying of insecticide from airplanes.

In February 1948 the new board of health regulations for the processing, handling, and grading of milk and milk products became effective. These regulations, which were based upon the standard milk ordinance and code of the United States Public Health Service, were first published in February 1945. A 3-year interval before placing the regulations in effect was allowed by the board of health to allow dairies and milk-processing plants time to obtain the necessary equipment and make the necessary changes to meet the standards of the new regulations.

For the first time in its history, the bureau of mental hygiene of the health department had a full complement of staff, consisting of three psychiatrists, seven psychiatric social workers, and four clerks. This enabled the bureau to give adequate traveling clinic services to all the islands outside of Oahu and to increase its public education and consultation program.

Three demonstration projects in the field of child health were inaugurated during the year with funds appropriated by the United States Children's Bureau. One project was a demonstration on the care of the newborn premature infant. This project was inaugurated at the St. Francis Hospital in Honolulu at the beginning of the calendar year 1948 as a joint project of the hospital and the health department. Prematurity continued to be the leading cause of infant deaths in the Territory, a rate of 10 deaths per 1,000 live births having been maintained for the past 10 years. The need for demonstrating the best methods of preventing deaths from prematurity is therefore apparent. Another demonstration project was a program for the care of children with rheumatic fever. This is a widespread disease in children even in warm climates and a major cause of heart disease. The demonstration project was launched with the aid of the Kauaikeolani Children's Hospital, which constructed a convalescent unit of 13 beds for children with rheumatic fever—the first convalescent unit constructed in the Territory for the care of children. The third demonstration project is in the care of children with cerebral palsy. This project began to function in March 1948, with concentrated care in the fields of physical therapy, occupational therapy, and speech therapy being given at a quonset hut cerebral palsy center constructed on the grounds of the Kapahulu Health Center of the Health Department in Honolulu. Children with this type of handicap usually require concentrated care over rather long periods of time, but with such care they generally can be rehabilitated to be useful citizens.

The survey and plan for hospitals of the Territory, as required under the Federal Hospital Survey and Construction Act, was completed by the division of hospital planning of the health department with the aid of the territorial advisory hospital council and others. The plan received the approval of the board of health and the Governor of the Territory, and the Surgeon General of the United States Public Health Service. The total allotment for construction purposes which accrued to the Territory from the congressional appropriation for the year, amounting to \$223,000, was designated to augment the territorial appropriation for construction of a new tuberculosis hospital for the island of Hawaii.

At the close of the fiscal year there were 536 persons working for the territorial health department. Of this number 500 persons were employed full time and 36 part time. There were 417 persons paid from territorial appropriations and 86 from Federal grants-in-aid funds. Other agencies, such as the United States Public Health Service, the Tuberculosis Association of the Territory of Hawaii, and sugar plantations, assigned, in addition to the above, 33 workers to the health department.

Bureau of sight conservation.—Under the budget provided by the 1947 session of the legislature, the bureau of sight conservation and work with the blind has operated with a staff of 32 members. In addition, 6 members were provided through Federal grants, thus making available 38 full-time workers.

Sight conservation and prevention of blindness continued to be the most important part of the program. A total of 100,337 children from the public, parochial and private schools were given vision tests and eye muscle tests; ambulatory eye clinics were developed, organized, and supervised in rural areas; and intensive case work services were provided for individuals who needed assistance, interpretation of eye medical recommendations, or social and educational adjustments in relation to the visual difficulty.

A program of service for the 522 blind people in the Territory was provided, consisting of social, medical, educational, and vocational adjustments and intensive case work services.

An active program of vocational rehabilitation services was started in October 1946. It is financed jointly by the Territory and the Federal Government. Services were provided for 116 blind persons interested in preparing themselves for gainful employment.

The bureau also operated the territorial shop for adult blind, where 15 blind men are regularly employed.

Public Welfare

During the year, community welfare problems continued to be more challenging. Unemployment and the high cost of living added to the problems of agencies working in this general field.

Department of public welfare.—Financial problems overshadowed all other developments in the public welfare program during the 1948 fiscal year. These problems resulted from (1) increased case loads, (2) higher costs per case, and (3) the drain on the welfare funds by legislative mandates for nonwelfare purposes. These problems were complicated by uncertainty of future income since the basic revenues were variable, being based on a compensation and dividends tax.

To reduce costs where possible and to increase efficiency, an intensive study has been made of standards of assistance and administration to insure equitable treatment for all clients; of standards for staffing the department in accordance with a staffing formula based upon actual work units; and of administrative processes and program operations. These studies have been of considerable aid in evaluation of operations, future planning, and for public information.

Critical financial problems are being met through raising the welfare fund proportion of the compensation and dividends tax from 25 to 30 percent, through borrowing against future tax income to meet immediate cash needs, through reducing assistance payments where possible by suspension of allowances for certain items in recipients' budgets, and through transferring back to the counties of medical care costs for those patients in county hospitals and for "medically needy" persons.

Especially significant have been developments in securing greater community participation in public welfare administration and planning. County advisory boards, supplementing the legally established public welfare advisory board, were established in Hawaii, Kauai, and Maui Counties. A medical services advisory committee was formed to assist in administering the medical care program. Special working committees, representative of community interests, were formed to assist in developing standards for child caring institutions, for determining the basic content of living which should be provided for welfare clients, and for developing a program for the care of aged persons in the community.

Case load trends have been significant. Throughout the year there has been a continuous increase of 1 to 2 percent monthly in case loads, with the result that more people are now being served than at any other time in the history of the department. The number of cases needing welfare assistance increased 23.3 percent. The amount for assistance payments increased 24.5 percent. Disbursements for assistance now amount to over a quarter of a million dollars monthly.

There has also been an increased need for child welfare services, much of it resulting from wartime social and family dislocations and postwar adjustments.

The cost per case has reflected the general change in the whole price structure. The average payment per case has increased steadily since 1942. However, the department was unable during the past year to increase payments to keep pace with living costs because of the financial situation. In May 1948 the average payment per case on the welfare roll was exactly the same as that of May 1947; it amounted to \$50.23, despite the fact that 75 percent of the assistance dollar is spent

for food and the food index had increased about 5 percent during the year.

Territorial council on veterans affairs.—The territorial council on veterans affairs is starting its fourth year of assistance to returned servicemen and aid to families of those who died in the battle for democracy.

A territorial-level agency, the council operates four veterans service centers on Hawaii, Maui, Kauai, and Oahu. The council is charged by legislative mandate to assist veterans and their families in every possible manner within the facilities of the four centers.

When the first center on Oahu was opened in 1945, the majority of requests for assistance were informational in nature. They consisted of queries as to "Where do I register my discharge?" or "What is the GI bill all about?" and kindred requests. About a year later it was observed that veterans were making repeated visits to the centers for additional assistance in their efforts to secure jobs with a future, adequate housing, vocational and educational counselling, Federal benefits, and advice on personal problems.

In the past year, the volume of callers in the centers has somewhat decreased, but the veterans bring in much more complicated problems necessitating additional time in consultation and work by members of the staff. The emphasis has shifted from the simple informational type of request to those involving long-range planning and the use of counselling techniques.

During the past year the centers on all the islands had a total of 22,645 contracts. This is an interesting figure when compared with the total veteran population in the Territory. There are about 34,000 veterans of World War II in the Territory at the present time. Total contacts made by the centers since the beginning of operations number 72,802 or more than 2 contacts per veteran.

The most pressing problem confronting veterans in Hawaii has been and will continue to be housing. The council has concerned itself with plans looking to the relief of that critical situation. The facilities and statistics compiled by the council have been offered to all interested agencies and individuals. The Hawaii Housing Authority has cooperated in every possible way but has been handicapped in its efforts by lack of housing units and by high rentals.

There has been a tremendous increase in the rolls of the servicemen's readjustment allowance or unemployment compensation. Approximately 1,700 veterans are now drawing allowances under this law. By mainland standards this number is still a very small percentage of the veterans in the Territory, but it is large for Hawaii

which has had a lower percentage of SRA claimants than any of the States.

As of June 30, 8,711 veterans in Hawaii had filed at some time for SRA. This is roughly one-fourth of the veterans discharged in the Territory. Of this entire group only 30 have exhausted their rights by receiving 52 payments. It is frequently said that veterans will not work so long as they can draw this benefit. This is refuted by the creditable showing of Hawaii's veterans—85 percent of those who have drawn SRA are now gainfully employed.

The number of veterans in training under Public Law 346 at this time is 3,865. A year ago 2,633 were listed as in training. Under Public Law 16, which pertains only to disabled veterans, 274 are in training as compared to 242, 1 year ago. This training includes both educational and vocational objectives.

The 1947 legislature authorized a bonus payment of \$300 to all Hawaii's veterans who at the time of application are in receipt of compensation for a disability of at least 10 percent. Three hundred ninety thousand dollars were appropriated for this purpose, sufficient to make 1,300 full payments. It was soon found that this fund was insufficient to care for all applicants. To meet this situation, a policy was adopted to make only half payments to those veterans with disabilities of 10, 20, and 30 percent, and full payments to those with disabilities of 40 percent or more. Many veterans agreed to defer payment voluntarily until more money is appropriated.

Since it was felt that many outer island families would not wish to use the facilities of the National Cemetery in the Punchbowl because of difficulties in visiting their loved ones' graves, the legislature authorized the establishment of smaller cemeteries for veterans and their wives on the Islands of Hawaii, Maui, Kauai, and Molokai. Land has been acquired and development of these cemeteries is progressing, and in a few instances, burials have already been made.

One of the interesting phases of the centers' work was in assisting veterans and servicemen in bringing their fiancées and brides to Hawaii. During the past year a total of 156 girls entered Hawaii under Public Laws 271 and 471 from all corners of the world, the majority, however, coming here from Europe.

Hawaii Housing Authority.—The Hawaii Housing Authority at present is operating 4,000 dwelling units and has 2 low-income projects consisting of 390 units which were deferred during the war and are now in the process of reactivation. A shelf application has just been completed and indicates that a minimum of 2,083 permanent low-income units are needed in Honolulu.

The authority has at present 300 temporary units under construction at Halawa, 215 programmed at Red Hill, and 100 units of permanent construction programmed at Palolo.

There has been a gradual improvement of availability of labor and material during the past year and private enterprise is contributing substantially toward easing the housing shortage. However, due to the scarcity and high cost of land, material and labor, a great many families in Honolulu will never be able to own their own homes, and will, therefore, depend on rental units for homes.

On the basis of present conditions, there are no grounds for hoping that Honolulu will have an adequate supply of housing in the near future.

Hawaiian Homes Commission.—The 1947 session of the legislature provided \$723,813 for the construction of roads and for the installation of water and sewer facilities on the Island of Oahu. As a result, improvements which will open up 110 lots have been made, and 85 additional lots will be available in the near future.

The commission has recently allocated \$26,000 from its development fund which will care for about 16 lots at Auwaiolimu (Papakolea area) and very shortly, surveys will be made for the construction of roads, installation of water system at Waimanalo which will allow the opening of some 80 new lots to homesteaders.

A study is being made regarding the opening up of homestead lots at Waimea on lands under lease to Parker Ranch and others, involving approximately 12,000 acres. The 1947 session of the legislature appropriated \$350,000 for this project.

The Eightieth Congress made available two more tracts of lands for houselots known as Anahola, Kauai (423 acres), leased to Lihue Plantation, and 12 acres known as Ili Kou, Maui, leased to Wailuku Sugar Co. These projects will be developed as soon as present leases expire.

On June 14, Congress approved certain changes in the Hawaiian Homes Commission Act, known as Public Law 3680 (80th Cong.), which permits the commission more latitude as to administration and financing of projects. The important points were: (a) Increasing loans from \$1,000 to \$3,000 for residence lots and from \$3,000 to \$5,000 for agricultural or pastoral land, and (b) The creation of a Hawaiian Home operating fund by accumulating certain incomes and by transfers from the revolving fund. This fund would be used for revenue producing improvements for the construction and maintenance of such improvements.

There is a balance of approximately \$1,093,899 available for loans to lessees. Repayments by borrowers for the fiscal year ending June

30, 1948, totaled \$121,950. Collections are good despite the adverse economic trend in Hawaii.

Fifty-six lots were awarded during the year. Seven thousand two hundred forty-six acres of Hawaiian homelands are under lease to 1,067 lessees and the approximate population on these lands totals 4,300 persons. On Molokai, homesteaders' areas under pineapple cultivation total 4,288.01 acres.

Social Security Administration.—A total of \$2,916,122 of Federal funds was certified to Hawaii during the fiscal year ending June 30, 1948. Expenditures directly benefited over 15,000 people. Offices of the Federal Bureau of Old-Age and Survivors Insurance were in operation at Honolulu, Hilo, and Wailuku. A steady increase in insurance claims on Kauai indicates the need for a permanent office at Lihue.

Noteworthy is the growth in payments of old-age and survivors insurance benefits, an important stabilizing factor in any community. It is estimated that there are now 325,000 "policy holders" in Hawaii who may become eligible for this Federal insurance protection. The number of active beneficiaries in Hawaii is 6,500. In many families these Federal insurance checks make the difference between the continuance of normal family life and the tragedy of broken homes or a dependent old age.

Hawaii National Guard

As of June 30, 1948, the Hawaii National Guard had an aggregate strength (officers, warrant officers, and enlisted men) of 4,814, as compared to 1,297 on June 30, 1947—an increase of 271 percent during the year. This very sizable increase was due to the constant recruiting efforts of all personnel at all echelons. Two events during the year added considerably to the increase. The first of these events was participation by the Hawaii National Guard in "Operation 88,888," a Nation-wide National Guard recruiting drive, launched by President Truman on September 16, 1947, and supported by the Chief of the National Guard Bureau of the War Department. This drive netted an increase of 1,181 officers and men, as a result of intensive recruiting activities from September 16, 1947, to November 16, 1947. This represented an increase of approximately 63 percent of Hawaii National Guard strength in a 2-month period.

The second event which contributed greatly to the increase in strength was the enactment into law of the Selective Service Act of 1948, accomplished by the Congress of the United States in the latter part of June. During the period June 21, 1948, to June 24, 1948, approximately 700 young men enlisted in the Hawaii National Guard to take advantage of the exemption from draft provided for members of National Guard units.

It should be noted that while the actual increase in strength of the guard during the fiscal year 1948 was 3,517 officers and men, there were during the same period 843 separations of officers and enlisted men, for such reasons as occupation incompatible with National Guard duties, removal of residence from the Territory, continuous absence from military duties, enlistment in the Regular Army, Navy, and Air Force, and miscellaneous other reasons. Thus, the actual effect of recruiting was a gross increase of 4,360 during the fiscal year.

The majority of the enlisted men recruited were young men in the 17- to 20-year-age bracket, with no prior military service. There was, however, a sufficient number of veterans recruited to provide each organization with a cadre of experienced personnel for the key positions. All of the officers and warrant officers appointed during the year, with the exception of a few medical officers, are veterans of World War II.

The training of individual officers and enlisted men charged with responsibility for personnel and administrative work in the Hawaii National Guard units progressed steadily within each unit during the year. This training reached a climax, and was subjected to a thorough test during a 2-week field training period in June 1948.

Agriculture and Forestry

The control of agricultural pests continues to be a major activity of the Territory's board of agriculture and forestry. The fruitflies are presently considered the most serious pest of agriculture, and a concerted effort was made during the year by interested organizations in Hawaii to obtain Federal assistance to augment the board's work in combating these pests. The Eightieth Congress made provisions for a good start in this work during the next fiscal year. The Territory, through the board, dispatched three expeditions to foreign countries in search of parasites or predators of these insects. One expedition yielded a hopeful predator and the last expedition, presently in the field, is yielding a good supply of hopeful parasites.

The protection of the Territory against further introduction of harmful pests was continued under activities of the plant quarantine organization. Regulations relative to the introduction of all plant material were revised to met the changes in transportation and agricultural patterns of recent years. The Federal Government removed Quarantine 51, which concerned produce entering the Territory in passenger baggage. Territorial inspectors now handle the inspection of all baggage of passengers entering the Territory by

steamer. A large organization of Federal quarantine inspectors handle all the work at overseas airports. These inspectors were appointed territorial agents to handle quarantine relative to the Territory of Hawaii.

The animal health was good throughout the year with no serious losses. Foot-and-mouth disease of swine (Vesicular exanthema) was discovered in hogs being unloaded from a mainland port, and measures taken prevented it from gaining entrance to Hawaii. Newcastle disease (Avian pneumonencephalitis) of poultry was discovered for the first time in Hawaii. Extensive quarantine and sanitary measures were invoked to prevent a wide dissemination.

The dollar value of animal products marketed during the fiscal year 1947-48 was \$18,614,000 as compared to \$15,875,000 the previous year, an increase of 17 percent. Volume marketed showed increases in poultry products and milk, and marked decreases in beef and swine products.

The fisheries of the territorial waters continued to yield more of their products. The production during the fiscal year was 14,243,229 pounds as compared with 11,151,444 pounds, an increase of 26.7 percent. The value of the fish catch is estimated at \$4,171,409. The enactment of legislation authorizing the Fish and Wildlife Service, United States Department of the Interior, to embark on a broad fisheries research program in the Pacific, with headquarters to be established in Hawaii, will do much toward more fully utilizing this resource of the central Pacific. A budget to start this work has been approved for the fiscal year 1948-49 and carries a total appropriation of 1 million dollars. Further evidence of the interest of the Federal Government in the Pacific fishery resources was expressed through the operations of two experimental tuna fishing vessels in the central Pacific area during the year.

The attention given to improving the wildlife resources of the Territory was aimed in the direction of management areas and controlled hunting. Three large management areas for upland game birds were started during the year.

The sugar and pineapple crops both showed an increase in volume production and dollar value in 1947-48 over the preceding year. They accounted for most of the 24-percent increase in dollar value of all agricultural crops produced in Hawaii. There was a total production of 872,187 tons of 96° raw sugar, with a market value of \$108,439,000. The total value of all pineapple products was \$75,165,940.

The production of fresh produce continued to show a decline throughout the Territory due largely to mainland competition. The

value of fresh vegetables and fruits (excepting pineapples) dropped from \$9,286,000 in 1947 to \$8,701,000 in 1948. The quality of produce offered for sale, however, continued to show improvement through increased requests for inspection and certification as to quality and condition. Territorial laws enacted in recent years which control the marketing of agricultural products and materials used in agricultural production are administered by the board. They have been of material value to the farming community.

The strong community opinion, which arose in support of the forest reserve system as a means of protecting the Territory's water supply when efforts were made to remove certain areas from a forest status, was clear evidence of their recognized value. Further progress was made in protecting reserves from cattle entrance by fence construction and by removing destructive animals through increased hunting pressure. Replanting of areas in need of a forest cover continued.

Department of Public Lands

In addition to handling such routine as leases, sales of public lands, executing deeds and searching titles, the department of public lands has specialized in putting the greatest possible number of house lots on the market. In this it has had the support of the public utilities and county officials in the county where the subdivisions are located.

At the present time, there are under contract and in the planning stages, house-lot subdivisions on Hawaii, Maui, Oahu, and Kauai. The approximate number of house lots ready for sale in the county of Hawaii is 231; county of Maui, 71; county of Kauai, 286; and Oahu, 170. The marketing of these house lots, which vary in area from 5,000 to 40,000 square feet, will help to alleviate the housing shortage.

The 1947 session of the legislature provided the land department with a revolving fund of \$500,000, to assist in the development, subdivision, and sale of various tracts of government land. Important areas are becoming available as the result of the discontinued operations of the Waimanalo Plantation on the Island of Oahu, and the Waiakea Mill Co. on the Island of Hawaii. In approving a sublease of the Waimanalo lands, 700 house lots were reserved for sale to the public. Plans for the disposal of 2,500 acres of arable land at the Waiakea Mill have not yet been completed. The closing down of these important enterprises has been a severe blow to the economy of the Territory. The land office desires particularly to see that the lands formerly used by these two plantations are used in a constructive way.

In anticipation of the termination of a large number of pasture leases on the Island of Hawaii, the department has appointed a com-

mittee to determine the size of tracts which should be put up for public auction. This committee will give consideration to water supply, accessibility, carrying capacity, grass planting, restrictions on grazing and other factors which enter into the problem of good pasture management.

The Governor's land use committee, consisting of the commissioner of public lands, a representative of the Army, a representative of the Navy, and a former chairman of the city planning commission of Honolulu, authorized by a directive of the President of the United States, is analyzing the various uses of lands taken over by the Army and Navy, with a view to returning these lands to civilian economy. Considerable land has already been returned to territorial jurisdiction or to former private owners. Due to the uncertainties relating to problems of national defense, the activity of this committee will continue to be determined by national policy.

During the past year, the usual routine activities of the department have been carried out. Collections from all sources amounted to \$1,357,855, a decrease of \$6,523 from the collections of \$1,364,378 for the previous year. One hundred fifty land patent grants were issued, conveying a total area of 482.95 acres, valued at \$182,037.57. Thirty-nine executive orders were issued, of which 24 set aside 5,836.45 acres for the use of various departments; 7 withdrew 5,723.31 acres from previous executive orders; and 8 canceled 8 executive orders containing 320.84 acres. Sixteen auction sales of public lands and general leases were advertised, resulting in the issuance of 83 leases and agreements, covering a total area of 14,008.8 acres. The total upset price was \$35,573, and the total sale price was \$39,724, an increase of \$4,151.

During the year 167 deeds to and from the Territory of Hawaii were executed. By these transactions the Territory gave up 45.25 acres of land on an exchange basis, and acquired 463.42 acres for a cash consideration of \$253,764. One hundred and twenty-one transfers were approved, of which 40 were general leases, covering 7,500.54 acres, and yielding a total annual rental of \$24,778.73; 73 were special sale agreements, covering 33.72 acres, for the consideration of \$147,346; 4 special homestead agreements, covering 479.87 acres, valued at \$9,390; 1 homestead lease, covering 2.77 acres, valued at \$1; and 3 right-of-purchase leases, covering 106.52 acres, valued at \$4,325.

Public Utilities Commission

The change in operating conditions of the various utilities throughout the Territory has continued generally along the postwar trend.

New capital is being sought for plant expansion, due primarily to the impact of additional requests for services and the augmented demand of existing customers. There has been an increasing demand for new telephone service. Operating costs are continuing to rise due to wage increases and the constantly increasing costs of equipment, materials, and supplies.

During the fiscal year ended June 30, 1948, the commission issued 48 orders and 17 decisions affecting policy and operations, and conducted 51 public hearings. The most important case now being handled is that of the Mutual Telephone Co. This covers an investigation of the affairs of the company to determine, among other things, the valuation, rate of return, and changes in certain rates and charges.

Finances and improvements.—The total gross revenue of all utility companies during the year 1947 was \$38,108,183 in comparison with \$32,870,687 in 1946, an increase of 15.93 percent. Plant enlargement and the meeting of increased service demands resulted in net plant expenditures of \$3,135,201 in 1947, as compared with \$3,954,277 in 1946. To operate effectively, additional capital has been requested. Between VJ-day, September 2, 1945, and June 30, 1948, the commission authorized financing in the amount of \$37,251,590 for various types of additional utility capital.

The calendar year 1947 showed an increase of 17.53 percent over the previous year in average value of electric utilities throughout the Territory, while the corresponding increase in average value over the previous 10-year period was 190.27 percent.

For the telephone and communications systems there was an increase of 16.12 percent in average value in 1947 over 1946, and 128.22 percent increase in value over the previous 10-year period.

The total increase in the average value of all utilities in the Territory for the year 1947 over 1946 was 4.86 percent, and for the previous 10-year period average value increased 64.13 percent.

Utility expenses for all utilities increased from \$31,514,674 in 1946 to \$35,164,690 in 1947, an increase of 11.58 percent. For the 10-year period there was an increase of 146.03 percent.

Net income for all utilities increased from \$1,356,013 in 1946 to \$2,943,493 in 1947, an increase of 117.07 percent. The main reason for this apparently excessive net income of all utilities in 1947 is due to net losses from operations of railroads in particular in 1946, together with other transportation companies and motor-vehicle common carriers, which showed a total operating loss of \$1,368,050 in 1946. The net losses from these same utility operations in 1947 was only \$110,167. In the 10-year period from 1938 to 1947 net income

of all utilities increased from \$2,192,588 in 1938 to \$2,943,493 in 1947, an increase of 34.25 percent.

Taxes.—Total taxes assignable to all utility operations for 1947 was \$3,097,801 as compared to \$4,070,804 in 1946, a decrease of 23.9 percent. Tax requirements of all utilities gradually declined from a high of \$7,957,703 in 1944 to \$3,097,801 in 1947. The decline in 1947 taxes is especially significant, inasmuch as gross revenues increased 15.93 percent from 1936 to 1947. A tax refund to one of the railroads in the amount of \$375,749 in 1947 was responsible for a large part of this tax decrease.

There are now 22 operating utilities listed, in addition to 5 smaller transportation companies which are motor vehicle common carriers. During the fiscal year, these utilities paid assessed fees to the commission in the amount of \$48,104.92.

Operating statistics.—Operating data show an increase in utility services. The number of consumers of the Hawaiian Electric Co. increased by 7.71 percent, with an average annual increase of 1.27 percent in use of electric energy per consumer. Hilo Electric Co. consumers increased by 6.1 percent, with an average annual increase of 21.85 percent in use of energy per consumer. Maui Electric Co. increased its total consumers by 6.56 percent, but showed a decrease of 8.43 percent per consumer in average use of electric energy. This was due primarily to the loss of the military load on Maui, as the average consumption per residential and other consumers increased 5.12 percent over 1946. The number of consumers of the Honolulu Gas Co. increased by 3.64 percent in 1947 over 1946, while the average annual consumption per consumer increased 5.07 percent.

The Mutual Telephone Co. had an increase of 14.98 percent in company stations (telephones) in service in 1947 over 1946. This rate of increase will probably be maintained, as there were 10,758 outstanding "orders" for telephone service as of January 1, 1948.

The Honolulu Rapid Transit Co. had a marked decrease in total passengers carried in 1947, as compared to 1946. The all-time high of 124,796,804 passengers in the year 1944 was due to wartime conditions. There has been a continual decline in passengers carried each year since, and for 1947 the number was 84,031,044, as compared with 91,330,437 in 1946. An interim order of the commission dated May 20, 1948, granted a fare increase to 10 cents for full-fare passengers, pending a more complete study of the company's operations. This resulted in an increase in daily revenues, but the number of passengers carried is continuing to decline. Serious operating problems still confront this company.

Abandonment of railroad operations.—The Oahu Railway and Land Company's Certificate of Abandonment, effective January 1, 1948, was issued by the Interstate Commerce Commission as of June 9, 1947. Under present operations, service is limited to the waterfront and harbor areas of Honolulu and as far as the Fort Shafter Spur, near Middle Street in the Kalihi area. The United States Navy has leased certain sections of the railroad serving naval facilities around Pearl Harbor and the adjacent areas.

This leaves but one railroad, the Kahului Railroad Co., still in operation in the Territory, the Hawaii Consolidated Railway having abandoned operations in 1946.

The abandonment of the railroad operations on Oahu and Hawaii has placed a heavier burden on the highways of these islands, as this business is now being handled by highway trucking concerns.

Future plans of the commission include comprehensive studies of existing finances, operations, rates, and charges of all utilities under the jurisdiction of the commission to bring these matters in line with present-day requirements.

Harbor Board

During the years of the war and since the end of the war, changes have taken place in means and types of transportation equipment used for the moving of passengers and freight between Hawaii and the mainland, and areas west of these islands.

Changes in transportation.—Much of the passenger traffic between the mainland United States and points west is now going by way of the air. This has decreased the number of passenger vessels necessary to handle this type of service. At the present time Matson Navigation Co. operates but one luxury liner, the *Lurline*, between the mainland and Honolulu. The American President Lines have reestablished their passenger business and operate a fleet of passenger vessels between mainland ports and the Orient, with stops in Honolulu. The service formerly operated by Matson Navigation Co. to Australia has not yet been reestablished. The Canadian-Australian ships are not yet in operation. Japanese passenger vessels, which prior to the war operated through Honolulu, are no longer in existence.

Practically all passengers moving between the islands now travel by air, and while the Inter-Island Steam Navigation Co. still operates the *Hualalai*, carrying freight and passengers, it is understood that it may be forced to discontinue this service. This company operates one freight vessel, the *Humuula*. Before the war it operated two combined passenger and freight vessels and two freight vessels. A great deal of

freight classed as interisland now is transported on barges towed by tugs. This latter development has been brought about by high wages which must be paid to seamen, and the rigid restrictions under which ships must operate.

As most of the ports of the islands are now equipped with facilities for handling overseas vessels of deep draft, it is believed that freight from the mainland, destined for delivery on islands other than Oahu, will ultimately all be carried directly to its destination rather than unloaded and transshipped by inter-island carriers from Honolulu. There will always be a certain amount of inter-island freight, but there will be a considerable further reduction in this type of business.

It is impossible to predict what the future of passenger travel through the port of Honolulu will be. However, if present prices for passenger fare on ships prevail, and the lower fare on air passage can be maintained, it is almost certain that surface carriers of passengers will never reach the volume of traffic that existed before the war. It is possible, however, that when the effects of the late emergency have worn off and the oriental countries get back into operation on a prewar basis, there may be some increase in the number of surface passenger and freight-carrying ships.

The amount of incoming overseas freight to island ports from the mainland bears a direct relation to the population.

It varies from $2\frac{1}{2}$ to 3 tons per capita per year, depending on the prosperity of the islands. The over-all average is approximately $2\frac{7}{10}$ tons per capita per year. The outgoing cargo is determined by island production of sugar and pineapples, the two major crops.

Freighters now carrying the major part of the cargo between the islands and the mainland are somewhat larger and speedier than those in use before the war. They are of the C3 type on which the operators desire a quick turn-around. They spend as little time as possible in port. These ships are capable of carrying from 10,000 to 15,000 tons of freight, depending on the type of cargo.

Effect of changes on revenues.—On March 1, this year, an agreement between Matson Navigation Co. and the Oahu Railway & Land Co., pertaining to the handling of all incoming merchandise from San Francisco and Los Angeles over the latter's piers in Honolulu, took effect. As a result, wharfage (dockage) and tolls over territorial piers in Honolulu were reduced by an average of approximately \$12,000 per month, for the months of April, May, and June, 1948, compared with the same months during the year 1947.

The shipping of freight direct to outer islands will increase Harbor Board revenue due to the fact that this cargo, when transshipped from Honolulu, is landed on private wharves in Honolulu, and is reshipped

at least in part over private facilities, resulting in the Territory receiving only one low rate charge at the outer-island port. When landed directly at the out-island port, the Harbor Board collects the higher rate on overseas cargo.

Records show that for the 5-year period 1935 to 1939, the incoming overseas merchandise and freight passing over territorial piers averaged 259,785 tons annually. For the fiscal year 1947, the tonnage was 259,791; for 1948, it dropped to 190,689 tons.

There is now general agreement that the rate structure covering services rendered by the Harbor Board is not in balance, and that rates covering outgoing overseas products from the Territory, as well as rates on inter-island shipments, are too low and should be adjusted. A public hearing was held on April 27, 1948, to consider this matter, but it became so involved with the question of whether or not to build a new pier in Honolulu Harbor, that no action has been taken and the matter has been deferred for the time being.

With the exception of piers 13 and 14, Honolulu, all facilities which have been constructed to handle inter-island traffic have never paid their own way. Included in these facilities which are not making expenses are the Kapalama development, over which fresh pineapples are handled, pier 2 in Hilo, pier 2 in Kahului, the Kaunakakai wharf on Molokai, and Kawaihae wharf on Hawaii. With reasonable rates for the use of these facilities they would become more nearly self-supporting.

All important piers in the Territory, and many of the structures in connection with piers and wharves, were repainted, where necessary reroofed, and other needed repairs made. Pier 1 in Hilo has been reconstructed, and extensive repairs to pier 2, damaged in the tidal wave, have been completed. Other construction includes a new freight shed 100 feet by 400 feet at Nawiliwili, a new mooring at Port Allen, and extension of the wharf area at Kaunakakai.

Government Service

Two important agencies, the Employees' Retirement System and the Civil Service Commission and Personnel Classification Board, made important contributions to the quality of government service and to the morale of workers.

Employees' retirement system.—The vital part played by the retirement system in stabilizing government service is indicated by the fact that there are now 15,983 active members, and by the further fact that during the fiscal year ending June 30, 1948, the pension and retirement rolls, with amounts paid, were as follows:

Classification	Number	Annual pensions and retirement allowances
Legislative Pensions, Act 261, S. L. 1925.....	7	\$5,645.67
Retired teachers (old teachers pension system).....	4	2,385.00
Service retirements.....	492	242,032.37
Ordinary disability retirements.....	93	34,203.13
Accidental disability retirements.....	41	43,289.35
Accidental death pensions.....	12	7,769.38
Annuities on above retirements.....		123,428.23
	649	458,753.13

The growth of the system is indicated by the membership and assets during the past decade. In 1938 the system had 7,308 members and assets of \$8,643,028; in 1943 there were 10,988 members and assets of \$15,629,963; and in 1948 there were 15,983 members and total assets of \$38,313,924.

Civil service and classification.—When the civil service commission was created in 1939, there were 39 departments and divisions in the territorial government, with a total of 2,147 employees. At the end of last year there were 58 departments and divisions, with 4,674 employees. During the same period the civil-service staff increased from 4 to 15 members.

The past year has been marked by a reduction in turn-over and a consequent stabilization of employment; by definite indications of a toning up of employee morale; by more extensive use of inter-governmental transfers and promotions; and by the extension and improvement of courses in public administration at the University of Hawaii.

Public Finances

The financial status of the Government of Hawaii thus far continues to be favorable. This is indicated by the reports of the territorial auditor, the territorial tax commissioner, and the territorial treasurer.

Report of the auditor.—Total revenue receipts collected by the Territory and its political subdivisions for the fiscal year were \$91,132,-925.09, an increase of \$18,245,131.91 over the preceding fiscal year.

The volume of business transacted during the year was \$1,281,499,-195, an increase of \$189,418,872 over the previous year. The general financial situation is reflected by the following tables and comments.



Consolidated statement of operations Territory of Hawaii and political subdivisions receipts for the fiscal year ended June 30, 1948

Character of receipts	Territory of Hawaii	City and county of Honolulu	County of Maui	County of Hawaii	County of Kauai	Total
Revenue receipts:						
Taxes:						
Property taxes.....	\$17,451.53	\$7,053,898.30	\$1,141,920.81	\$1,254,476.25	\$760,871.24	\$10,228,618.13
Income taxes.....	14,723,355.39	-----	-----	-----	-----	14,723,355.39
Inheritance and estate taxes.....	295,183.54	-----	-----	-----	-----	295,183.54
Poll taxes.....	21,400.57	-----	-----	-----	-----	21,400.57
Business license taxes.....	26,204,051.83	3,230,807.02	1,259,318.75	1,479,677.74	865,341.33	33,039,196.68
Nonbusiness license taxes and permits.....	202,273.88	154,386.93	295,108.79	398,357.13	201,716.66	1,251,793.39
Unemployment compensation taxes.....	2,885,373.78	-----	-----	-----	-----	2,885,373.78
All other taxes.....	-----	4,041,113.66	9,178.35	31,551.33	5,953.33	4,087,796.67
Total taxes.....	43,849,090.52	14,480,155.91	2,705,626.71	3,164,062.45	1,833,882.56	66,032,718.15
Nontaxes:						
Special assessments and special charges.....	3,500.00	131,772.04	-----	-----	-----	135,272.04
Fines, forfeits, and escheats.....	34,693.20	675,971.10	39,634.60	65,373.64	12,680.34	828,352.88
Grants-in-aid by the Territory and United States Government.....	6,993,067.03	178,119.63	617,026.06	1,095,117.87	453,508.27	9,336,838.86
Donations from private sources.....	82,998.76	32,819.55	-----	873.00	-----	136,093.31
Rent of investment properties.....	1,204,122.29	36,238.95	3,714.33	43,574.09	-----	1,287,701.66
Interest.....	891,577.88	41,074.33	328.65	-----	-----	932,980.86
Earnings of general department:						
General government.....	231,954.54	69,405.82	22,868.27	16,179.06	10,654.60	351,062.29
Protection.....	355,130.54	96,704.50	2,629.75	-----	5,899.25	460,334.04
Highways.....	-----	84,977.04	217.00	24,108.44	10,665.86	119,968.34
Development and conservation of natural resources.....	43,313.52	-----	-----	-----	-----	43,313.52
Health and sanitation.....	109,870.76	481,793.15	87.00	23,377.54	-----	615,038.45
Hospitals and institutions for handicapped.....	156,469.84	125,955.90	237,885.17	364,906.18	-----	885,157.09
Charities.....	2,406.99	-----	-----	-----	-----	2,406.99
Correction.....	96,030.41	1,963.75	-----	-----	-----	97,994.16
Schools.....	937,188.83	-----	1,782.75	70.50	-----	939,042.08
Recreation.....	55,298.90	76,695.60	8,673.65	-----	8,047.00	148,715.15
Miscellaneous.....	19,402.51	588,425.86	-----	6,452.96	8,596.62	622,877.95
Public service enterprises.....	1,807,931.58	5,833,685.86	131,413.94	199,506.68	123,916.21	8,156,454.27
Total non-taxes.....	13,084,897.58	8,475,593.08	1,066,261.17	1,839,541.96	633,938.15	25,100,206.94
Total revenue receipts.....	56,933,988.10	22,955,723.99	3,771,787.88	5,003,604.41	2,467,820.71	91,132,925.09
Nonrevenue receipts:						
From borrowings.....	90,000.00	5,664,706.81	1,186,955.57	300,000.00	555,583.34	7,797,245.72
From other civil divisions.....	5,350.38	7,643.45	198,837.07	4,852.25	-----	216,683.15
From objects of private trust.....	-----	80,121.11	-----	-----	-----	80,121.11
From sales of investments.....	11,237,062.04	11,455.93	-----	7,004.55	-----	11,255,532.52
From decrease of storehouse supplies.....	921,033.25	10,571.85	-----	16,447.20	-----	948,052.30



From offsets to outlay payments.....	\$1,101,822.64	\$328,241.48	\$122,549.09	\$512,966.07			\$2,065,579.28
From counterbalancing receipts.....	225,804.40	53,901.61	2,897.21	78,817.94		\$108,296.81	469,717.97
Total nonrevenue receipts.....	13,531,072.71	6,156,652.24	1,511,238.94	920,088.01		663,880.15	22,852,932.05
Transfer receipts:							
Nonrecoverable transfers from other funds.....	3,248,752.79		406,362.83	1,293,560.43		144,842.25	5,093,518.30
Nonrecoverable transfers from employees' retirement system.....	44,102.61						44,102.61
Borrowings and repayments from other funds.....	4,945,606.11		95,000.00	762,190.80			5,802,796.91
Borrowings and repayments from employees' retirement system.....	1,521,000.00						1,521,000.00
Total transfer receipts.....	9,759,461.51		501,362.83	2,055,751.23		144,842.25	12,461,417.82
Total receipts.....	80,274,522.32	29,112,376.23	5,784,389.65	7,979,443.65		3,276,543.11	136,427,274.96
Available cash at beginning of year.....	23,921,705.32	6,790,927.96	117,522.64	1,378,604.04		347,192.08	32,555,932.04
Grand total.....	104,196,227.64	35,903,304.19	5,901,912.29	9,358,047.69		3,623,735.19	158,983,227.00



Territory of Hawaii consolidated statement of operations receipts for the fiscal year ended June 30, 1948

Character of receipts	General fund	Special funds	Revolving funds	Loan funds	Sinking funds	Consolidated total
A. Revenue receipts:						
Taxes:						
Property taxes.....	\$11,895,093.41	\$17,451.53				\$17,451.53
Income taxes.....	295,183.54	2,528,261.98				14,723,355.39
Inheritance and estate taxes.....	17,735.67	3,664.90				295,183.54
Poll taxes.....	22,033,436.88	4,106,962.33	\$33,652.62			21,400.57
Business license taxes.....	159,648.50	42,625.38				26,204,051.83
Nonbusiness license taxes and permits.....		2,385,373.78				202,273.88
Unemployment compensation taxes.....						2,385,373.78
Total taxes.....	34,431,098.00	9,384,339.90	33,652.62			43,849,090.52
Nontaxes:						
Special assessments and special charges.....	34,693.20	3,500.00				3,500.00
Fines, forfeits, and escheats.....	12,296.12	6,979,082.41	1,093.50			34,693.20
Grants-in-aid by the counties and United States Government.....	500.00	82,498.76				6,993,067.03
Donations from private sources.....	908,512.90	455,411.07	295,609.39			82,998.76
Rent of investment properties.....	310,620.91		21,810.40		\$103,735.50	1,204,122.29
Interest.....						1,891,577.88
Earnings of general departments:						
General government.....	129,500.69	102,453.85				231,954.54
Protection.....	283,323.89	109,247.65	7,559.00			355,130.94
Development and conservation of natural resources.....	4,603.75	38,709.77				43,313.52
Health and sanitation.....	47,285.92	62,584.84				109,870.76
Hospitals and institutions for handicapped.....	29,062.46	127,347.38				156,409.84
Charities.....		2,406.99				2,406.99
Correction.....	35,505.15	60,525.26				96,030.41
Schools.....		937,188.83				937,188.83
Recreation.....	186.95		55,111.95			55,298.90
Miscellaneous.....	3,040.00	980.75	15,381.76			19,402.51
Public service enterprises.....	35,657.78	1,832,273.80				1,867,931.58
Total nontaxes.....	1,789,779.72	10,794,211.36	397,171.00		103,735.50	13,084,897.58
Total revenue receipts.....	36,220,877.72	20,178,551.26	430,823.62		103,735.50	56,933,988.10
Nonrevenue receipts:						
From borrowing.....		90,000.00				90,000.00
From other civil divisions.....	5,350.38					5,350.38
From sales of investments.....	7,917,467.10	1,172,507.95	889,086.99			11,237,062.04
From decrease of storehouse supplies.....	107,022.46	672,625.75	141,385.04		1,258,000.00	1,921,033.25
From offsets to outlay payments.....		1,101,822.64				1,101,822.64
From counterbalancing receipts.....	224,483.78		1,320.62			225,804.40
Total nonrevenue receipts.....	8,254,323.72	3,036,956.34	1,031,792.65		1,258,000.00	13,581,072.71


Consolidated statement of operations, Territory of Hawaii and political subdivisions payments for the fiscal year ended June 30, 1948

Object of payment	Territory of Hawaii	City and County of Honolulu	County of Maui	County of Hawaii	County of Kauai	Total
Governmental cost payments—Division of Government:						
General government	\$3,562,094.72	\$1,706,146.64	\$289,741.53	\$413,545.51	\$211,646.61	\$6,183,175.01
Protection	2,494,369.20	3,322,581.84	519,847.60	651,495.89	480,438.31	7,468,732.84
Highways	3,880,311.26	2,933,566.75	851,858.26	799,561.35	531,685.38	8,996,956.00
Development and conservation of natural resources	1,369,003.20	2,143,059.54	94,965.35	724,885.74	55,317.78	1,369,003.20
Health and sanitation	2,449,062.70	314,764.00	999,928.69	966,466.55	599,848.24	5,467,291.11
Hospitals and institutions for handicapped	6,822,459.69	4,253.48	3,453.48	498,803.90	5,228.18	9,673,467.08
Charities	5,892,070.69	331,930.75	311,132.23	498,803.90	177,780.90	1,592,125.06
Correction	1,440,378.79	2,428,866.70	99,704.18	187,041.53	137,925.39	5,091,552.35
Schools	17,055,076.41	1,765,744.01	443,860.47	314,848.24	270,024.16	20,471,659.99
Libraries	485,057.25	6,303,538.38	447,093.03	4,995,545.29	2,676,371.30	486,052.44
Recreation	149,439.76	23,340,960.06	40,110.82	37,856.00	2,676,371.30	2,339,854.87
Miscellaneous	3,854,339.07	173,063.20	4,106,426.30	5,033,401.29	89,503.13	7,311,996.96
Public service enterprises	2,480,126.11	415,613.18	1,239,260.54	861,653.18	471,676.34	9,751,114.07
Total	51,933,788.85	415,613.18	1,239,260.54	861,653.18	471,676.34	87,012,980.98
Interest	335,225.75	5,890.38	15,500.00	4,852.25	81,134.55	586,255.77
Total governmental cost payments	52,269,014.60	415,613.18	1,239,260.54	861,653.18	471,676.34	87,599,236.75
Nongovernmental cost payments:						
For debt obligations	1,652,000.00	83,134.55	15,500.00	17,984.62	4,580.16	4,058,030.03
To other civil divisions	445,433.71	43,598.03	10,026.57	9,971.20	4,580.16	471,676.34
For objects of private trust	4,548,910.25	202,966.42	2,897.21	410,734.21	529.67	5,164,047.24
For investments purchased	725,673.07	32,563.38	2,897.21	529.67	40,191.48	4,058,030.03
For increase of storehouse supplies	1,091,193.05	791,822.51	1,380,206.84	1,105,725.13	94,083.29	4,058,030.03
For outlay payments offset by receipts	4,171.22	791,822.51	1,380,206.84	1,105,725.13	94,083.29	4,058,030.03
For counterbalancing payments	8,467,381.30	791,822.51	1,380,206.84	1,105,725.13	94,083.29	4,058,030.03
Total nongovernmental cost payments	8,467,381.30	791,822.51	1,380,206.84	1,105,725.13	94,083.29	11,839,219.07
Transfer payments:						
Nonrecoverable transfers to other funds	3,248,752.79	406,362.83	406,362.83	1,293,560.43	144,842.25	5,093,518.30
Nonrecoverable transfers to employees' retirement system	3,423,801.28	95,000.00	95,000.00	762,190.80	2,915,296.84	3,423,801.28
Borrowings and repayments to other funds	4,945,006.11	501,362.83	501,362.83	2,085,751.23	708,438.35	5,802,796.91
Borrowings and repayments to employees' retirement system	880,000.00	5,987,995.97	86,083.68	8,194,877.65	44,344,654.69	880,000.00
Total transfer payments	12,498,160.18	24,305,845.77	5,987,995.97	8,194,877.65	2,915,296.84	15,200,116.49
Total payments	73,234,558.08	11,597,438.42	5,987,995.97	8,194,877.65	2,915,296.84	114,638,572.31
Available cash at close of year	30,961,671.56	35,903,304.19	5,901,912.29	1,163,170.04	3,623,735.19	44,344,654.69
Grand total	104,196,227.64	35,903,304.19	5,901,912.29	9,358,047.69	3,623,735.19	158,983,227.00



Territory of Hawaii, consolidated statement of operations, payments for the fiscal year ended June 30, 1948

Object of payment	General fund	Special funds	Revolving funds	Loan funds	Sinking funds	Consolidated total
Governmental cost payments—division of government:						
General government.....	\$3,106,630.82	\$190,319.93				\$3,562,094.72
Protection.....	1,020,298.81	1,391,518.58				2,494,369.20
Highways.....	162,756.60	3,612,625.03	\$41,782.94			3,880,311.26
Development and conservation of natural resources.....	869,574.33	482,814.81				1,399,003.20
Health and sanitation.....	1,737,467.41	711,595.29				2,449,062.70
Hospitals and institutions for handicapped.....	6,718,240.93	81,187.50				6,822,459.69
Charities.....	538,794.80	5,353,275.80				5,892,070.69
Correction.....	1,298,128.47	108,725.74				1,440,378.79
Schools.....	15,301,800.61	1,729,309.70				17,035,076.41
Libraries.....	468,793.02	16,234.23				485,027.25
Recreation.....	74,888.26	7,508.41	67,343.09			149,439.76
Miscellaneous.....	2,257,878.99	1,396,521.70	199,938.29			3,854,339.07
Public service enterprises.....	355,913.59	2,113,283.53				2,480,126.11
Total.....	33,910,836.64	17,194,950.43	309,064.32	518,437.46		51,933,788.85
Interest.....		335,225.75				335,225.75
Total governmental cost payments.....	33,910,836.64	17,530,176.18	309,064.32	518,437.46		52,269,014.60
Nongovernmental cost payments:						
For debt obligations.....		804,000.00			\$848,000.00	1,652,000.00
To other civil divisions.....	78,156.47	350,243.23		17,034.01		445,433.71
For investments purchased.....	650,400.00	3,160,114.11	738,396.14			4,548,910.25
For increase of storehouse supplies.....	106,074.14	519,099.54	100,490.39			725,673.07
For outlay payments offset by receipts.....		1,091,193.05				1,091,193.05
For counterbalancing payments.....	2,375.00	1,795.62				4,171.22
Total nongovernmental cost payments.....	837,006.21	5,926,445.55	838,895.53	17,034.01	848,000.00	8,467,381.30
Transfer payments:						
Nonrecoverable transfers to other funds.....	1,826,421.37	498,578.70				3,245,752.79
Nonrecoverable transfers to employees' retirement system.....	3,244,641.70	179,159.58	38,074.53		885,673.19	3,423,801.28
Borrowings and repayments to other funds.....	2,719,029.54	1,926,576.57	300,000.00			4,945,606.11
Borrowings and repayments to employees' retirement system.....	210,000.00	670,000.00				880,000.00
Total transfer payments.....	8,000,092.61	3,274,314.85	338,074.53		885,673.19	12,498,160.15
Total payments.....	42,747,935.46	26,730,936.58	1,486,034.38	535,971.47	1,743,673.19	73,234,556.08
Available cash at close of year.....	4,750,043.18	24,793,817.64	946,083.34	199,743.65	265,333.75	30,991,671.56
Grand total.....	47,500,578.64	51,524,754.22	2,432,117.72	735,715.12	1,999,061.94	104,196,227.64

Financial operations, as indicated by the foregoing tables, show total revenue receipts for the fiscal year of \$91,132,925.09, nonrevenue receipts of \$22,832,932.05, governmental cost payments of \$87,599,-236.75, nongovernmental cost payments of \$15,200,116.49, available cash at the beginning of the year of \$32,555,952.04, and available cash at the end of the year of \$44,364,654.09.

The consolidated statement of operations of the Territory (excluding its political subdivisions) shows general fund revenue receipts for the year ended June 30, 1948, of \$36,220,877.72 derived from the following sources:

Taxes:

Income taxes-----	\$11,895,093.41
Inheritance and estate taxes-----	295,183.54
Poll taxes-----	17,735.67
Business license taxes-----	22,063,436.88
Nonbusiness taxes and permits-----	159,648.50
Total-----	34,431,098.00
Nontaxes—rents, interest, and earnings-----	1,789,779.72
Grand total-----	36,220,877.72

Government cost payments for the same fiscal year totaled \$33,910,-836.64 and comprised:

General government-----	\$3,106,630.82
Protection-----	1,020,268.81
Highways-----	162,756.60
Development and conservation of natural resources-----	869,574.33
Health and sanitation-----	1,737,467.41
Hospitals and institutions for handicapped-----	6,718,240.93
Charities-----	538,794.80
Correction-----	1,298,128.47
Schools-----	15,301,800.61
Libraries-----	468,793.02
Recreation-----	74,588.26
Miscellaneous-----	2,257,878.99
Public service enterprises-----	355,913.59
Total-----	33,910,836.64

Outstanding bonds of the Territory on June 30, 1948, totaled \$9,425,000, as compared with \$10,996,000 on June 30, 1947. No new bonds were issued during the year. Sinking fund assets for the redemption of bonds, conservatively valued at par, totaled \$1,431,383.75, leaving a net bonded indebtedness of \$8,993,616.25. The Organic Act limits the bonded indebtedness to 10 percent of the assessed value of property in the Territory.

Report of the tax commissioner.—During the fiscal year ending June 30, 1948, territorial tax collections (excluding all nontax revenues and county collections) amounted to \$61,433,503. This set a new record and is an increase of \$16,445,838 over the previous year's collection of \$44,987,665. This large increase was due primarily to increased tax rates authorized by the 1947 legislature. The new rates became effective July 1, 1947. The most important changes were increases in the general excise tax rates, the net income tax rates, and the fuel tax rates; the enactment of a new compensation tax law; and the repeal of the personal property tax law.

The new compensating tax law is a use tax imposed on the purchaser of tangible personal property from a seller who pays no general excise tax to the Territory on the sale of the property. The tax rates in general are 1 percent on purchase by retailers, and $2\frac{1}{2}$ percent on purchases by consumers. The local agent of the seller and local purchasing agents are required to collect this tax. Where there is no local activity, there is no tax on purchases by retailers, but consumers continue to be liable under the consumption tax law in cases of direct purchases.

The general excise (gross income) tax rates were raised considerably, in order to meet increased budget demands, and also to offset the repeal of the personal property tax. Effective July 1, 1947, the tax rates were changed as follows: Wholesale from $\frac{1}{4}$ to 1 percent, producing and manufacturing $\frac{1}{4}$ to $1\frac{1}{2}$ percent, all others $1\frac{1}{2}$ to $2\frac{1}{2}$ percent. The consumption (use) tax rate was also increased from $1\frac{1}{2}$ to $2\frac{1}{2}$ percent.

The increase in general excise tax rates has doubled the gross income tax collections, which have averaged a little over \$2,000,000 per month. The total collections of general excise, consumption and compensating taxes for the fiscal year amounted to \$25,054,939. This is an increase of \$12,409,445 over the previous fiscal year collections of \$12,645,494.

However, due to the repeal of the personal property tax, which was a county realization, the counties are now receiving 1 percent of the tax base of all general excise, consumption and compensating tax collections made at the rate of $2\frac{1}{2}$ percent, effective July 1, 1947. The counties' share of these tax collections for the fiscal year amounted to \$7,630,124, as compared to the personal property tax collections of \$4,098,453 for the fiscal year ended June 30, 1947.

The net income tax rates were increased as follows:

Corporations, from 7½ to 10 percent. Individuals, including trusts and estates:

First \$5,000-----	from 2 to 3 percent.
\$5,000 to \$10,000-----	from 2½ to 3½ percent.
\$10,000 to \$20,000-----	from 3 to 4 percent.
\$20,000 to \$40,000-----	from 3½ to 4½ percent.
\$40,000 to \$70,000-----	from 4 to 5 percent.
\$70,000 to \$100,000-----	from 4½ to 5½ percent.
Over \$100,000-----	from 5 to 6 percent.

Under the new rates, the net income tax collections for the fiscal year were \$4,724,301, as compared to the previous fiscal year collections of \$3,064,803.

The fuel tax rates per gallon were increased as follows: (1) Liquid fuel, other than Diesel oil and aviation gasoline, from 4 to 6 cents; (2) Diesel oil used upon the public highways from 3 to 5 cents; (3) aviation gasoline from 4 to 5 cents. These increased rates became effective July 1, 1947, and with the exception of the aviation gas, the collections from the 2 cents per gallon "extra" tax goes to the county where the fuel is used. The fuel-tax collections for the fiscal year were \$5,251,951, as compared with the previous year's collections of \$3,118,771.

The business volume, as reflected in the gross income tax base, and the salaries, wages, and dividends paid, as reflected in the collection of the 2 percent withholding tax for the fiscal year, indicate a substantial gain over the previous fiscal year. To illustrate this, the following statistics are given:

	1946-47	1947-48	Increase or decrease
Gross income tax base-----	\$1, 076, 020, 907	\$1, 248, 037, 533	+\$172, 016, 626
Tax collected-----	12, 404, 603	24, 512, 475	+12, 107, 872
Salaries and wages paid-----	416, 911, 842	461, 970, 131	+45, 058, 289
Dividends paid-----	27, 239, 012	33, 371, 939	+6, 132, 927
Tax collected-----	8, 964, 324	9, 981, 802	+1, 017, 478
Portion allocated to public welfare-----	2, 241, 080	2, 757, 196	+516, 116
Business licenses issued-----	38, 537	40, 325	-1, 788
Business licenses canceled (Oahu only)-----	7, 611	6, 815	-796
New business licenses issued (Oahu only)-----	7, 340	6, 993	-347

The gross valuation of real property, on the basis of assessed values, increased from \$568,709,983 as of January 1, 1947, to \$589,815,264 as of January 1, 1948.

All this tends to show that the past fiscal year was outstanding in every respect. There are indications, however, that the peak may have been reached, or even passed, and that the volume of business may decrease. Some of these signs are the low sugar price, increasing complaint from taxpayers that business has fallen off, business reverses,

tightening of bank credits, poor collections, and slow-moving items in inventories. The June 1948 gross income tax base was only \$96,309,522, as compared with the June 1947 base of \$98,623,602, a drop in business volume of 2.35 percent. The fact remains, however, that the over-all financial picture is good. Budget collection estimates for the current biennium will not only be met, but there should be a surplus at the end of the biennium.

Report of the treasurer.—The treasury department in its structure combines the functions of the treasurer's office with that of securities commissioner, corporation commissioner, insurance commissioner, bank examiner, fire marshal, and registrar of the bureau of conveyances. This report covers pertinent developments in each bureau.

Insurance bureau.—The most important development was the enlargement of the insurance bureau to undertake the administration of the regulatory laws passed by the 1947 legislature, particularly those affecting casualty insurance, and those pertaining to fire and marine insurance. An examination, required by statutes, of five domestic insurance companies was begun during this period and is still under way. In addition to these 5 companies, there are 148 foreign and 39 alien insurance companies doing business in Hawaii. Special emphasis has also been placed on the qualifying examinations for general agents, subagents, and solicitors with the idea of increasing standards of proficiency on the part of those dealing directly with the insurance buying public.

During the fiscal year 1947-48, the bureau collected \$476,277.24 in premium taxes, \$17,427 in filing and license fees.

Office of the bank examiner.—Some 57 examinations covering banks, trust companies, building, savings and loan companies, counties, and industrial loan companies were completed by the office of the deputy bank examiner. These examinations led to the dissolution of two mutual benefit societies. The number of banks, trust companies, building, savings and loan companies, and industrial loan companies under the jurisdiction of this bureau totaled 66, with total assets of \$532,016,772.

Bureau of conveyances.—The opening of many new subdivisions of real property resulted in an increased load on this bureau due to the necessity of recording and filing documents in connection with these subdivisions. The statement of receipts and disbursements of the **bureau of conveyances** for the fiscal year ended June 30, 1948, shows receipts of \$137,930.80, and disbursements of \$133,120.70. The number of documents filed and recorded totaled 27,139, of which 8,504 were under the land court system. The number of land court certificates issued for the calendar year of 1947 was 2,774.

Office of the fire marshal.—The fire marshal's office, in connection with other agencies, initiated and carried out a program of continuing inspection of fire hazards. It conducted numerous inspections of territorial schools and institutions, with special attention to fire escape facilities and a program of school fire drills.

United States Internal Revenue.—Receipts of the office of the United States Internal Revenue, District of Hawaii, also indicate a healthy financial condition. During the year, collections from all sources totaled \$107,651,471, as compared to \$105,865,662 for the preceding year—an increase of \$1,785,809.

Population Trends

Since 1940, Hawaii has experienced a population upheaval similar to that of many other communities in the United States. As of June 30, 1940, the population was 426,654; as of June 30, 1948, it was 540,500, an increase of 113,846, or 26.7 percent. The Caucasian group increased from 106,381 to 180,480, an increase of 69.6 percent.

The population of 540,500 at the end of last year represented an increase of 15,023, or 2.8 percent over the preceding year. In contrast, the percent increase of 1947 over 1946 population had only been 1.2. For the most part, this increase was likely due to natural growth—the excess of births over deaths. However, the immigration of servicemen's wives and children undoubtedly accounted for a sizeable number.

The racial composition of the Territory remained nearly static. There were no changes, insofar as the total population is concerned, in the proportion of Hawaiians, Puerto Ricans, Koreans, or others. The Chinese, Japanese, and Filipinos lost a little, while the part Hawaiians and Caucasians made slight gains. The loss, as to proportion of the total, suffered by Chinese and Japanese was in reality only a shift caused by significant increases of the part Hawaiians and Caucasians. Numerically the Chinese increased a little and the Japanese nearly as much as the population as a whole. Numeric decreases were noted in the Hawaiian and Filipino groups; the former probably being due to intermarriage and the latter to emigration, death and low birth rate.

Aliens in the Territory totaled 74,020 or 13.7 percent of the 1948 population. By way of contrast, in 1947 there were 75,623 or 14.4 percent, and in 1940, 81,813 or 19.2 percent. As in previous years, the Filipino and Japanese aliens numbered the most; 66,930 or 90.4 percent of all aliens. Only one alien racial group did not decrease—the Caucasians. The rate of decrease in the alien population since

1940 has been slow but quite steady and seems to be due to high death rates, emigration and liberalization of naturalization laws.

Filipino aliens comprise 65.8 percent of all Filipinos in the Territory. This is proportionately less than there were in 1940 when 67.5 percent were aliens. In 1940, 15.9 percent of the Chinese were aliens; in 1948, 7.1 percent were noncitizens. Twenty-three and nine-tenths percent of the Koreans and 17.9 percent of the Japanese were aliens in 1948 as compared with 1940 percentages of 31.4 and 23.2, respectively.

Practically no change was noted in the percentage distribution by county for 1948. The city and county of Honolulu, with 68.8 percent of the total population, was estimated at 371,649, an increase for the year of 3.2 percent over the estimate of 360,274 for the previous year. The county of Hawaii was estimated at 74,870 or 13.9 percent of the total population for the Territory. This represents an increase of only 1.6 percent from 1947's estimate of 73,690. Maui County, population 57,077 or 10.6 percent of the total, increased 2.1 percent over 1947's estimated 55,904 persons. Kauai, with 6.7 percent of the total population (36,493 persons) increased during the year proportionately more than the Territory as a whole, 3.7 percent. Kauai's 1947 population had been estimated at 35,194. The smallest county, Kalawao, consisting of leprous patients and the Kalaupapa Settlement staff total 411. This was the only county to show a numerical decrease in population. The 1947 population figure was 415.

The two major cities, Honolulu and Hilo, were estimated to have a population as of June 30, 1948, of 277,129 and 29,620 respectively. Honolulu increased 3.1 percent over the previous year's total and Hilo 1.7 percent.

TABLE 1.—*Civilian population by race, 1940 and 1948, showing numeric and percentage change, Territory of Hawaii*

Race	1940 ¹		1948 ²		Increase	
	Number	Percent	Number	Percent	Number	Percent
Hawaiian and part-Hawaiian.....	64,829	15.2	80,760	14.9	15,931	24.6
Puerto Rican.....	8,322	2.0	9,820	1.8	1,498	18.0
Caucasian.....	106,381	24.9	180,480	33.4	74,099	69.6
Chinese.....	28,834	6.8	30,530	5.7	1,696	5.9
Japanese.....	157,990	37.0	176,280	32.6	18,290	11.6
Korean.....	6,854	1.6	7,320	1.4	466	6.8
Filipino.....	52,607	12.3	53,640	9.9	1,033	2.0
Others.....	837	.2	1,670	.3	833	99.5
Total, all races.....	426,654	100.0	540,500	100.0	113,846	26.7

¹ Estimates based on 1940 United States census.

² Estimates based on OCD figures, births, deaths, and migration.

TABLE 2.—*Civilian population by county and selected cities, 1940 and 1948, showing numeric and percentage change, Territory of Hawaii*

County and selected cities	1940 ¹		1948 ²		Increase	
	Number	Percent	Number	Percent	Number	Percent
County of Honolulu.....	260,885	61.2	371,649	68.8	110,764	42.5
City of Honolulu.....	180,986	42.4	277,129	51.5	96,143	53.1
County of Hawaii.....	73,563	17.2	74,870	13.8	1,307	1.8
City of Hilo.....	24,341	5.7	29,620	5.4	5,279	21.7
County of Maui.....	55,785	13.1	57,077	10.6	1,292	2.3
County of Kauai.....	35,956	8.4	36,493	6.7	537	1.5
County of Kalawao.....	465	.1	411	.1	-54	-11.6
Total—Territory of Hawaii.....	426,654	100.0	540,500	100.0	113,846	26.7

¹ Estimates based on United States census.² Estimates based on OCD figures, births, deaths, and migration.

Commerce and Business

Business conditions.—Reports of business and governmental agencies in Hawaii at the end of 1947 showed business to be in a strong financial condition. The volume of business transacted exceeded the billion-dollar mark for the second consecutive year. In nearly all categories, business was good, although taxes, increased wages, and operating costs materially affected profits.

The following facts and figures provide an economic index to Hawaii's prosperity and commercial position. These data were obtained from private business firms and governmental agencies.

Banks.—Bank clearings amounted to \$1,679,938,888.94 in 1947, compared with \$1,447,207,298.89 in 1946. Total bank deposits declined slightly although they were 270 percent above the average of deposits during the 5 years prior to World War II.

Building.—The value of buildings erected in the city and county of Honolulu during 1947 was \$35,065,902, as compared with \$23,020,743 in 1946. A total of 9,107 permits was issued in 1947, compared with 7,470 in 1946. The outlook for 1948 for home construction and commercial building is the best since prewar days.

Business transacted.—Based on gross income-tax collections, the volume of business transacted in the Territory during 1947 totaled \$1,225,623,214.11, compared with \$1,004,540,000.52 in 1946. The total dollar volume of business activities during the year increased 21 percent over the previous year. The increase in the dollar volume of business for 1947 was partially offset by continued price increases. While the dollar volume increased over 21 percent, the index of consumer prices increased only 3 percent.

Custom receipts.—Custom receipts for this district totaled \$1,415,-836.57 in 1947, compared with \$1,084,976.97 in 1946.

Diversified crops.—Agricultural marketings in 1947, valued at wholesale level or at gross income-tax base, amounted to \$171,675,000, compared with \$136,316,000 in 1946. Sugar and pineapple marketings amounted to \$144,346,000 in 1947, accounting for 84 percent of the total agricultural income. The value of livestock and poultry products totaled \$18,500,000, or 11 percent of the total. Fruits, vegetables, and miscellaneous crops amounted to \$8,829,000, or 5 percent of the total income.

Internal revenue.—Internal revenue collections for the Territory during the fiscal year 1947 totaled \$107,651,471, compared with \$105,865,662.

Motor vehicles.—There were 98,856 motor vehicles registered in the Territory in 1947 compared with 85,521 in 1946.

New business.—There were 38,933 business licenses issued by the tax commissioner during 1947, compared with 38,047 in 1946.

Pineapple.—The total pack of pineapple for the fiscal year 1947 amounted to 18,443,675 cases, of which 10,236,886 were pineapple and 8,206,789 were juice. The 1946 total pack was 17,722,102 cases, of which 10,164,219 cases were pineapple and 7,947,424 were juice. Hawaiian pineapple constitutes 90 percent of the world's supply. Last year's pineapple crop had a value of approximately 70 million dollars. The outlook for 1948 is for a slightly larger crop.

Postal receipts.—Postal receipts at Honolulu amounted to \$3,632,-474.62 in 1947, compared with \$4,788,301.43 in 1946.

Real and personal property.—The value of real property in the Territory increased from \$551,285,163 in 1946 to \$568,709,938 in 1947. Personal property increased from \$138,272,646 in 1946 to \$168,741,048 in 1947.

Retail sales.—Retail sales in the Territory totaled \$472,241,868.21 in 1947, compared with \$416,312,856.35 in 1946.

Shipping.—During 1947 a total of 818 ships from overseas ports entered and cleared Honolulu Harbor, compared with 942 in 1946. Total tonnage figures for 1947 were 3,730,216 net tons and 6,212,486 gross tons, compared with 4,114,540 net and 6,889,316 gross tons in 1946.

Stocks and bonds.—Stocks and bonds traded during 1947 amounted to \$5,410,904.77, compared with the 1946 total of \$6,950,027.82.

Sugar.—Hawaii's sugar industry furnished an estimated 47 percent of the total income of the Territory in 1947. Sugar manufactured during the year was valued at approximately \$108,439,000. Production figures for 1947 show that over 872,187 tons of raw sugar were milled in the 29 factories of Hawaii, compared with 680,073 in 1946.

Tourist industry.—Hawaii's third basic industry is the tourist business. Prewar Honolulu and the Islands were annually visited by some

30,000 tourists who spent in excess of \$10,000,000 a year. During 1947, air arrivals alone totaled more than 100,000. These visitors are estimated to have spent at least \$10,000,000 in the islands. The prospects for 1948 are even brighter. Air transportation facilities are increasing. There is a possibility of added luxury liners to improve surface transportation. Renovations have been made on some of the larger hotels in Honolulu and on the other islands; new apartments at Waikiki are under construction; and a number of new hotels are being built in the Territory.

Tax collections.—Territorial tax collections totaled \$54,240,000 in 1947, compared with \$42,356,209 in 1946, establishing a new territorial tax record (data based on the calendar year).

United States armed forces.—The total military personnel, including both service and civilian, averaged 66,000 in 1947, compared with 91,000 in 1946. The combined military pay roll in 1947 was about \$147,000,000 compared with a pay roll of \$188,000,000 in 1946.

Utilities.—The Hawaiian Electric Co., Ltd., had 64,673 consumers and a total delivery of 462,655,820 kilowatt-hours in 1947, compared with 58,535 consumers and delivery of 441,378,568 kilowatt-hours in 1946. The Honolulu Gas Co., Ltd., had 35,872 meters in service in 1947, compared with 33,772 in 1946. The sale of gas to consumers during 1947 was 2,220,763,500 cubic feet, compared with 2,040,561,000 in 1946. The Mutual Telephone Co. had 50,260 telephones in service in Honolulu and 7,199 in rural Oahu at the end of 1947. This compares with 43,945 telephones in Honolulu and 6,386 in rural Oahu in 1946.

Wages and dividends.—Total salaries, wages, and dividends paid in the Territory during 1947 amounted to \$485,237,759, compared with \$420,714,406 in 1946.

Wholesale sales.—Wholesale sales in the Territory amounted to \$277,462,226 in 1947, compared with \$226,289,700 in 1946, an increase of 22½ percent.





